Gibraltar eSummit

Thursday 12 June 2025
@KPMGGI
#KPMGeSummit

KPMG. Make the Difference.


KPMG

A word from the sponsor

The 2025 agenda delivered comprehensive insights, featuring respected industry regulators, operators and advisers representing multiple jurisdictions. Key sessions included established favourites such as the Operator Panel, Gibraltar Update and a focused discussion on Capital Markets and M&A, alongside strategic spotlights on the dynamic environments of Crypto, ESG and LATAM. We also welcomed the return of the widely acclaimed #WeAllWantToPlay seminar.

Of course, a huge topic of conversation at the event was the timely announcement that the key terms of a treaty had been agreed between the UK and the EU in respect of Gibraltar's position following Brexit.

This treaty – which will include free movement of people and goods between Gibraltar and Spain – is a pivotal development for all Gibraltar - based businesses, and especially the eGaming sector, which depends on multinational workforces.

It was a privilege to moderate the Operator Panel – a discussion exploring the industry's top opportunities and pressing challenges. Five distinguished leaders contributed valuable perspectives on topics ranging from evolving regulations, emerging cyber threats and technology advancements to the expanding landscape of regulated markets and the role of collective intelligence in shaping industry activity through 2025 and beyond. It was an insightful Q&A, covering the recent treaty news and expressing commitment to Gibraltar as a jurisdiction.

The KPMG Gibraltar eSummit remains an invaluable platform for tracking sector advancements, and we are privileged to have sponsored this report since the inaugural event in 2011. As the leading provider of cutting-edge managed technology solutions for Gibraltar and the global iGaming and online sports betting industry for over 27 years, we remain deeply committed to driving collective innovation and championing best practices that strengthen sector growth and security.

We hope you enjoy reading the report, and we look forward to connecting with you again next year!

Justin Cosnett

Chief Product Officer –
Continent 8 Technologies

Continent 8 Technologies is once again honoured to sponsor the eSummit report.

Kindly sponsored by

CONTINENT8 technologies

Chief Minister's address

With news that the core terms of an agreement between the UK and EU in regard to Gibraltar's future position with the EU had been struck emerging on the eve of the KPMG Gibraltar eSummit, delegates at the conference were the first to hear more details from Chief Minister Fabian Picardo who took the opportunity to make a surprise address on his return from Brussels. Acknowledging the importance of the eGaming industry to the Gibraltar economy, he stressed the deal would provide the cross-border access to people and goods that businesses required and put Gibraltar on a path to increased opportunity and prosperity.

Ladies and gentlemen, what a pleasure it is to be just in Gibraltar rather than having to be anywhere else. Although I will soon be off to New York to remind all of the members of the Committee of 24 that, whatever may have happened in the last 24 hours, something has definitely not happened, and that is that the sovereignty of Gibraltar has not in any way been compromised.

What I shall tell the Committee of 24 is that, as I told them last year and I will tell them every year whilst I am Chief Minister, and indeed any Chief Minister will be able to say, nothing agreed in Brussels yesterday has compromised the principle that Gibraltar is entirely British, from its most northern point on the isthmus to its most southern point where our waters meet the strait.

Not one grain of our sand, not one breath of our air, not one drop of our water has been compromised in reaching at last an agreement between the European Union and the United Kingdom, which is, in effect, an agreement between Spain and Gibraltar on what our future relationship should be with the European Union. What does that mean?

It means complete fluidity across the frontier for the two key elements that move across frontiers: people and goods. What does that mean to you and to your industry which has been one

Hon. Fabian R Picardo KC

Government of Gibraltar

of the key drivers in the work that we have done? That your people can live in and around Gibraltar. That they can come in and out of Gibraltar without so much as having to flash any document, neither an identity card nor a passport, as they enter and leave the territory of Gibraltar.

We have, in effect, agreed to become an associate immigration area to Schengen. When you are in the Schengen area, which includes some states which are not in the EU and doesn't include some states which are in the EU, you will also be cleared to be in Gibraltar. When you enter Gibraltar, you will be cleared to be in the rest of the Schengen area.

I think it's a very positive result. It achieves what we set out to achieve. You'll recall that some years ago, almost 10 years ago now, in 2016, when we talked about Brexit, those of us who were then in Gibraltar used to say, 'Well, Brexit for Gibraltar really is the frontier. That's where the problem lies.'

So, when you hear the announcement today that we have been able to negotiate the removal of the frontier, really what you're hearing is that Brexit will no longer be a problem for Gibraltar.

The Chinese curse says that you have to turn every moment of crisis into opportunity. Brexit wasn't a moment of crisis for Gibraltar. It was a moment of potential absolute chaos. What we have been able to do with the work that Michael Llamas, in particular, Gibraltar's Attorney General, who providentially is an expert in EU law, and Joseph Garcia, who's been working with me throughout this period - and with the rest of my cabinet and the team from Gibraltar, in association with a very large team from Whitehall, which has seen political commitment from successive governments of either Conservative or Labour – is to turn that potential chaos into the greatest opportunity that Gibraltar ever had.

Remember when we were members of the European Union? The European Union had four pillars, but we were not members of one of the pillars, which was freedom of movement of goods. We did have freedom of movement of capital, of people, and of services, but not goods.

Today, when we go and plug ourselves into the EU, we will plug ourselves in only to the one pillar that we were not a part of, goods, and to a pillar that is not one of the four foundational pillars of European law, but a fifth additional pillar, which some members agreed between themselves, which is the Schengen pillar. We're going to go and do the two things with the European Union that we never did before.

It's important to understand that when assessing why it has taken this long to do the deal. Because if we were in the European Union already and we were just going back in for those things, and you know that we haven't repealed European law in Gibraltar because we were waiting for the outcome of this deal, how can it take this long? Well, because, in fact, we were going in to apply to Gibraltar the two bits, the two pillars that never applied to Gibraltar.

When you see this treaty, I think you'll find that it reaches in the region of 300 pages already, and there's still a lot to do. The annexes will reach a few thousand pages. The technical work that has been required has not been, as you may have read recently and less recently in the international press, are they are arguing about where they're going to do the passport controls at Gibraltar Airport? It has never been about that. We agreed that in December 2020.

The issue has been that plugging Gibraltar into these two pillars means negotiating 300 pages of text, understanding thousands of pages of annexes and, through them, millions of pages of text which relate to the decisions of the European Court, to the decisions and directives of the European Parliament and the Council, all of which will be relevant to Gibraltar in the context of the application of the principle of fluid movement. Because the principle of free movement will not apply.

Those of you who are lawyers will know that the principle of free movement includes the right of establishment in a place. We have not negotiated – and we did not want to negotiate – the right of establishment, so no person in the 480 million people who live in the European Union will be able to come to Gibraltar to establish themselves. Neither will somebody in Gibraltar be able to go to Spain to establish themselves.

What we have negotiated is fluidity of people, and that's what we set out to negotiate. To give you and your industry the ability to have people live on the other side of the frontier and come in and out of Gibraltar every day without having to flash as much as an ID card, let alone a passport. To give you the ability to recruit and retain the people that you need. Not just to stay as successful as you are, but to be more successful in the future. To grow the business that you do in Gibraltar and to grow what type of business we can do in Gibraltar.

We have done that, as I started saying, without compromising one grain of our land, one breath of our air, or one drop of our water, which was the foundational principle behind everything that we have negotiated and everything that we do. I hope that when you see the detail of the text, you will agree that it is a hugely positive agreement for Gibraltar, that it is a hugely positive agreement for the region, and that, in particular, it is a hugely positive agreement for your industry.

Thank you very much for the opportunity to talk to you this afternoon.

Take care.

Contents

KPMG eGaming summit welcome address

Taking place less than 24 hours after the announcement of the agreement of Treaty negotiations on Gibraltar's future relationship with the EU, the opening address by Hon. Nigel Feetham was the first opportunity for delegates to hear about how this would impact the local gaming industry. The Minister also took the opportunity to reaffirm the Government's support of the sector and look to future developments in the market.

Ladies and gentlemen, it is a pleasure to welcome you to the 2025 KPMG Gibraltar Gaming eSummit. There is no sector more important in terms of its economic contribution to Gibraltar than the gambling sector. But it is also a sector that faces some unique challenges, particularly local labour constraints. Two-thirds of employees in this sector are cross-border workers, which means that securing a free flow of people between Gibraltar and Spain is not just important, it is vital to the continued success of the sector.

Yesterday, the Government of Gibraltar reached a historic agreement that protects our economy, an economy that is not only strong but thriving. You will see when we present our Budget shortly that our tax revenues are stronger than ever, with record-breaking receipts the likes of which we have never seen.

But let me be clear: if we had not secured this agreement, all of that would have been at risk. The jobs, our standard of living, the investment, and the confidence in our homeland – none of that could be taken for granted without the stability that this agreement provides.

And it's not just about today. This is about tomorrow, about the next generation. Had we failed to act in Gibraltar's best interests now, they would have not forgiven us. We had a responsibility to preserve and protect the foundations of our economy, and we have delivered on that responsibility.

Hon. Nigel Feetham KC MP

Minister for Justice, Trade and Industry

Government of Gibraltar

This agreement is not just about honouring an electoral commitment. It is a safeguard for our collective future.

Let me also be absolutely clear: there will be no VAT on services. We know how critical this is for our licensees, and the Chief Minister has held firm on this throughout.

When Gibraltar started licensing and regulating online gambling in the early 1990s, the jurisdiction was one of the few games in town. We led the way in point-of-supply gambling regulation, including consumer protection, when many jurisdictions did not offer an open market and non-discriminatory online gambling regime. Now we see significant growth in other jurisdictions coming to realise that it is better to regulate than to deny.

Whilst Gibraltar remains an important operational centre for online gambling, it is also developing as a multi-jurisdictional service centre, and we need to maintain a local ecosystem.

For a jurisdiction that is part of the UK family and is now more than 75% UK-facing, the ongoing regulatory debate in the UK is of course of major interest to us. We think that the UK industry is now at a tipping point. The White Paper outcomes and other regulatory measures adopted, with which we do not quibble, have better protected consumers. However, an over-regulated and over-taxed industry, where consumer friction is increased unnecessarily, leaves the regulated industry in a place where it cannot compete with operators who are not subject to proportionate, or even any, regulation.

A degree of sense needs to be applied to the debate. The conditions need to continue to be right to encourage a shift by willing operators to the regulated market and, of course, regulated operators can be viewed as easy targets. We agree with the UK position that more resources are being put into dealing with the black market. We know that this market is still being facilitated by some jurisdictions which issue licences but do little on AML or social responsibility. The risk is real and apparent.

One option for the UK would be to consider re-establishing a whitelist which only allowed operators in the UK, the Crown Dependencies, and overseas territories such as Gibraltar to contract with and advertise to UK consumers. In a post-Brexit environment, the EU has taken a restrictive approach on matters such as location of servers and the right to conduct services into the EU. This would immediately give the UK more control over the market through cooperation on regulation via the British family. Malta would remain an EU hub, and Gibraltar a UK hub.

Gibraltar online operators pay £750m to the UK Exchequer on point of consumption tax, and the idea that Gibraltar-based operators present a wider tax risk to the UK Exchequer is frankly nonsense. Operators are m ulti-jurisdictional, and corporate tax structuring is complex. It is not as simple as comparing headline tax rates, and matters of substance and where management and control of the business lies are important. Many operators are multi-jurisdictional, and our own Tax Office has begun to focus on transfer pricing arrangements to ensure that profits derived from Gibraltar are not artificially diverted elsewhere.

Whether the business is an operational or service model, we expect Gibraltar-based operators to pay the right tax at the right time, and an MOU between the Gambling Commissioner and our Income Tax Commissioner is evidence of our intent to ensure that Gibraltar is getting its fair share. It can be no other way. I have said it repeatedly: Gibraltar should not take the operational risk of licensing companies in any sector but none of the economic benefit.

At a number of points in our history, the industry media has written off Gibraltar as a sustainable gambling hub. But we have not just maintained our sector: we have grown. There has been growth in both our B2C and B2B cohorts, and we have many global brands who retain licences in the jurisdiction. We have 54 operators holding 85 licences (49 B2C and 34 B2B).

We are still selective and do not have the larger numbers of other jurisdictions. However, we value quality over quantity. The brands that we have recently licensed are testament to the sustainability of the jurisdiction as a Tier 1 gambling hub.

Turning now to the crypto gambling debate. There is a large spectrum of global operators who occupy this space, and with crypto adoption increasing there will be a cohort of market leaders; those who are prepared to meet AML and social responsibility standards that are seeking reputable jurisdictions in which to base themselves.

Gibraltar is a jurisdiction that has much expertise in this area and, whilst we would not want the smaller operators that have avoided real regulation, we would consider applications from market leaders who want to move into the regulated space. Many talk the talk but we in Gibraltar have already walked the walk with our established DLT regime. Crypto and DeFi are not passing fads, and the wider regulatory community needs to adapt. I say better regulated than marginalised.

I have delivered a similar message to the Gibraltar Financial Services Commission and the Gibraltar Regulatory Authority. As a jurisdiction, we must embrace growth in areas where technology is shaping the global landscape. We simply cannot afford to stay behind.

I also want to touch on the impact of AI on the sector. The sector is already well-progressed in the areas of machine learning, automation and data management. We have engaged with the sector on this subject, and the sector is now actively bringing all constituent elements together with the assistance of AI tools.

AI presents both opportunities and threats, and we are committed to working alongside the sector on this subject and facilitating innovation where we can. At my request, the Gambling Division have already established an AI working group and engaged with some individual operators.

“

Turning to the new Gambling Bill: we are nearly there. I have not been able to say this before, but we wanted to reserve our position on certain aspects dependent upon Treaty negotiation outcomes. As these are now positive, I am confident that we will be able to gazette the bill very soon and move forward to the debate stage after the Parliamentary summer break.

I know that there is a lot of work being done by the Gambling Division in the background, and both Andrew Lyman, as the Gambling Commissioner, and I wanted to convey our thanks to all of the Gambling Division team.

Finally, I have made it a personal priority to champion the involvement of young people in the financial sectors and to actively raise awareness of the career opportunities they offer. As part of this commitment, I have invited nine students to attend today’s conference, and another young man who reached out to me only yesterday evening.

They are seated at my Ministerial table, and I hope they find the discussions today both insightful and inspiring.

In conclusion, thank you again to the organisers and sponsors, and enjoy what should be a very engaging and informative conference.

Thank you.

Gibraltar Update

Andrew Lyman

Gambling Commissioner, Government of Gibraltar

Gibraltar's Gambling Commissioner Andrew Lyman and his Gambling Division team play a pivotal role in balancing the needs and ambitions of Gibraltar-based gaming operators with the requirement to safeguard the jurisdiction's reputation and integrity. Here he provides some insights into the issues preoccupying regulatory minds as well as the aims and implications of the forthcoming Gibraltar Gambling Act.

It will not have escaped your attention that the next panel discussion will be on the opportunities and risks for Gibraltar, including regulating the crypto gambling space. Without pre-empting the panel's conclusions, like the Minister I think there is an opportunity for Gibraltar here, perhaps using the inherent expertise the jurisdiction has in the DLT, DeFi and crypto space to attract market leaders who want to be regulated and will accept proportionate anti-money laundering and social responsibility provisions. It would be great to develop a position where the UK can rely on our expertise and reputation in this area.

Gibraltar has always been agile, and it was one of the first jurisdictions to regulate remote gambling in the 1990s. It has survived a number of headwinds, not least UK point of consumption tax, UK consumption regulation, and the dreaded Brexit. The remote gambling landscape is ever-changing, but we are now seeing accelerated growth in the number of jurisdictions or federal states moving to regulate commercial gambling.

Gibraltar, unlike some jurisdictions, has always had a policy that, where a jurisdiction offers open-market non-discriminatory licensing regimes, the operators should apply for those licences. We have never been a haven for illegal or black-market operations and have always championed proportionate and effective regulation.

Also, with the changing risk appetite of legitimate operators for grey-market business now that there are more regulated market opportunities, Gibraltar will, to a degree, see a decline in point of supply business. It will not replace that business by lowering regulatory standards.

That said, I am firmly of the view that there is still a place for point of supply regulation, whether fiat or crypto. As the Minister said, better licensed and regulated, even dual-regulated, than using the licensing jurisdiction of convenience which has little AML or social responsibility obligations. We know who those jurisdictions are.

However, we have seen a shift in Gibraltar, and we're probably nearer 80% than 70% UK-facing. Most of the major UK brands or groups are based in Gibraltar, in whole or in part. Considering the internationally compliant tax and lifestyle advantage of Gibraltar, why wouldn't a UK-facing gambling operator or a major supply chain business not want to be in this jurisdiction?

The relationship, as the Minister has said, with the UK is strong. You've heard the number that is paid in point of consumption tax, £750m. Gibraltar's regulatory regime enjoys credibility within the UK, and Gibraltar is part of the UK family and enjoys broad-based political support in the UK, as has been very clearly demonstrated in the last few days.

I would go further than the Minister and say only the ignorant or the naïve see Gibraltar as a threat to the UK Exchequer, or do not understand the complex multi-jurisdictional nature of apportionment of corporation tax. If anything, Gibraltar may not be getting its fair share of corporate tax in the very jurisdiction in which we see much of the global profit being accrued or derived.

The Gibraltar licensing proposition has always been an economic one. The new Bill is on the cusp of being gazetted. The sharp-end decisions have been taken and, whilst we had hoped to publish the Bill before this conference, other self-evident matters have been occupying the political and policy agenda. Bandwidth has been full, for obvious reasons, when political focus has been needed in the finishing straight. That focus is now self-evident, and I do not see any further delays to the passage and implementation of the Bill.

Returning to the licensing proposition, the new Act will have as its basis both substance provisions and threshold conditions. Substance includes management control, people, office space, IT infrastructure and tax yield. These factors will be considered as part of the conditions of licensing, and the Gambling Division will continue to work with the Income Tax Commissioner to ensure that, as part of their regulatory obligations, all gambling businesses make a rounded and fair contribution to the jurisdiction whilst availing themselves of the upside benefits of being in Gibraltar. It can never be take and no give on either side.

Pragmatic regulation is here to stay but, if we have moved forward on the Government side, it is that we are becoming more proactive in looking at the jurisdictional risks and benefits in the round. I personally have been on a learning curve, and preparations for the Bill and the policy discussions have given me a greater understanding of the sector.

Whilst Gibraltar continues to be an operational hub for many, we're also conscious that it is being increasingly seen and used as a service centre for multi-jurisdictional businesses. That service may be compliance back-end or other functions: marketing, procurement, or a place where management control exists. To an extent the Act takes account of these developments, and there will be a need to open discussions about what activities fall in or outside the scope of licensing.

Even with service models, Gibraltar expects its fair share of the pie, with services supplied from Gibraltar and profits accounted for on an arm's length basis for transfer pricing purposes.

As with marketing joint venture companies in Gibraltar or holding companies, the implementation of the Act will drive open conversations between operators and the regulator as to the exact nature of the presence of these operations in Gibraltar. It is an opportunity for a regulatory audit. However, rest assured that we are not looking to drive good business away from Gibraltar. We want back-end services – and the jobs they sustain – to run from Gibraltar where they are not a threat to the reputation of the jurisdiction, but please be prepared to talk to me.

This is a jurisdiction that has historically supported the sector but, in policing the perimeter and in preparing the ground for this Bill, we have realised that there is a considerable amount of sector activity out there which has hitherto never fallen within scope. One of the aims of the forthcoming Act is to impose regulatory control where necessary but to avoid a situation where we drive good business away.

Naturally, there will be angst in the sector at the implementation of a new Act which results in more regulatory scrutiny but you have my assurance that it is not about casting an indiscriminate regulatory net but about protecting a sector we feel is vital and important to the economy, and at the same time protecting the international reputation of Gibraltar.

Finally, I would like to take this opportunity to thank a few people. Firstly, the Gibraltar Betting and Gaming Association Board and the Secretary General, Nicky Macias. The GBGA have maintained an open and constructive dialogue with me and the Minister. I think that the organisation is becoming highly effective with its engagement programme, and I welcome its continued growth, insight and success.

Secondly, to my network of jurisdictional and international industry contacts who allow me to understand the dynamics, concerns and shifts within the industry, and to hopefully make me a better-informed and more effective regulator, even about tax. You know who you are, and thank you.

Thirdly, my network of Gibraltar Government and wider Gibraltar plc contacts who come to my aid when needed. You know who you are.

Finally, but certainly not least, my immediate colleagues in the Gambling Division. Including me, we are only ten in number. Fighting to modernise and digitalise the office in a time of spending restraint; providing me with therapy when I am railing against the inefficiencies and inexplicable restraints of the public-sector budgeting system; sometimes negotiating the system for me rather than having me self-destruct; managing my time and sometimes my inbox when I have missed decisions that look time-critical. The output is definitely improved by open debate, and my disorganisation is to an extent cured by the people around me keeping me on the rails.

With limited resources, the team are supportive, efficient, professional and great colleagues. When I am wrestling with local gambling issues, they provide me insight into Llanito culture and how things run around here. I am particularly pleased that we have increased our expertise in AML and TF supervisors through experience, professional development and engagement with fellow supervisors and the intelligence and law enforcement community.

Some in this room will be experiencing the pain of the ongoing exercise to test sanction screening capability. I thank you for your cooperation and fortitude. I believe that we are one of the first gambling regulators to test the effectiveness of sanction screening regulatory technology.

My immediate colleagues may not always think this, but I do come to work thinking, 'How can I make everyone's job easier?' I don't always succeed, but I do make decisions, even wrong ones, and then I am prepared to own them.

Hopefully, in the time I have left as Gambling Commissioner – the time will fly – we can both modernise the office, digitalise the interface without losing the personal contact which I think the sector values, and get into a steady state with the new Act for both the good of the industry and this jurisdiction. The new legislation is not a threat to this sector.

I am pleased that the industry in Gibraltar has sustained in challenging times. Now we have the opportunity to lay the foundations for the future. Today we'll be upbeat but always remember the words of Rudyard Kipling, which I think rather sums my experience up of the last seven years:

If you can keep your head when all about you

Are losing theirs and blaming it on you,

If you can trust yourself when all men doubt you,

But make allowance for their doubting too;

If you can wait and not be tired by waiting,

Or being lied about, don't deal in lies,

Or being hated, don't give way to hating,

And yet don't look too good, nor talk too wise:

If you can dream – and not make dreams your master;

If you can think – and not make thoughts your aim;

If you can meet with Triumph and Disaster

And treat those two impostors just the same;

Thank you.

Decrypting the Myths about Crypto and Gaming

Moderator: Hon Albert Isola, CBE

Panellists:

Chris Elliott
Partner, Wiggin

William Gracia
Head of DLT Gibraltar Financial Services Commission

Andreas Glarner
Legal Partner, MME Legal

Peter Howitt
Managing Director, Ramparts

Andrew Lyman
Gibraltar Gambling Commissioner

Anthony Provasoli
Partner and Head of FinTech, Hassans

While crypto currencies have been around for some time, their adoption by the mainstream gaming industry has been slow. This panel session discussed the opportunities, fears and regulatory mindset around integrating crypto into gaming operations – and how risk assessment and DLT regulation in the financial services sector could help provide a pathway for wider use in the future. But, first, moderator Hon. Albert Isola, former Minister with responsibility for gambling, sought to explore the recent announcement from the EU about proposals to lift the grey-listing of Gibraltar, something that had remained in place despite FATF delisting in 2024.

Albert Isola: In the last couple of days, we've had the announcement of the EU Commission proposing to lift the grey-listing of Gibraltar, pending the European Parliament. What impact and effect do you think that has on the jurisdiction, and how important is it?

Anthony Provasoli: Extremely important. We had already made some steps to come off the grey list, and this was seen as a last hurdle that we needed to overcome. Certainly, from a banking perspective, there have been a lot of questions raised from clients of ours who have Gibraltar touchpoints or Gibraltar companies, and banks often ask the question and raise the due diligence requirements on those companies, which effectively cost them more money to overcome. That, hopefully, should be the end of it now.

Peter Howitt: Sometimes the issues with grey-listing are overstated. In my experience – and it's anecdotal because I don't deal with lots of banks all the time – I've often found the banks who wouldn't provide bank accounts to customers before we were grey-listed then use the grey-listing to tell clients why they wouldn't provide a bank account. But I knew they weren't providing them before because they just didn't like Gibraltar, it wasn't within their risk appetite, or they didn't understand the jurisdiction and didn't know it very well.

It's obviously beneficial: when a prospective client, who doesn't know anything about Gibraltar, doesn't see that when they do their due diligence, that's helpful.

In my experience, the way the banking sector works and the payment sector works, it's much more relationship-driven and based on the knowledge of the jurisdiction in reality rather than whether you're grey-listed or not.

So. it's good for perception, but it won't necessarily mean a change. Don't be surprised if you find that a French bank that previously said, 'We're not supporting you because you're on the grey list,' still say, 'Sorry, we don't do Gibraltar.' That can happen.

Albert Isola: In the gambling sense, we were fortunate before we were grey-listed that Malta had been there for a year, so many of our gaming firms had already got used to the process of dealing with the enhanced due diligence. Andrew, how have things changed since we were removed from the FATF grey list and hopefully now off the EU list?

Andrew Lyman: I was discussing this with someone from Malta yesterday. When Gibraltar went on the FATF grey list, there was an initial issue with payment providers not providing the services anymore but as you know the gambling sector are very agile in terms of payment provision. They understand that ecosystem very well, so they negotiated their way around that.

What we don't know – and what we can't measure – is the amount of inwards investment that we've missed because people have made a decision about not coming to Gibraltar.

Clearing the hurdle of both the FATF grey-listing and then the European listing will help to encourage inwards investment decisions, and Gibraltar being at the table when people are making a decision on which jurisdiction to locate their business in.

Albert Isola: In terms of the more recent announcement yesterday of a Treaty, what is the impact on the sector? I know many of the gaming firms have struggled in the past couple of years with recruitment and retention, particularly because of the island that we live in if there isn't access across the border. How big do you think that is for this sector?

Andrew Lyman: It is big. The two issues are firstly jurisdictional confidence – confidence in the jurisdiction to sustain and operate as a business centre – and. secondly, the cross-border issue, where two-thirds of the workers are cross-border. Again, the gaming firms have been agile, but it's caused a problem with recruitment. We all know how expensive it is to live in Gibraltar. So, if there is an open border, it might mean that more people would be able to come and locate in the region of shared prosperity but work in Gibraltar.

Those are the two main issues. On inwards investment decisions, we're lucky. We've sustained, we've grown, but there are UK firms that are still sitting outside Gibraltar. I think some of them will think about the benefits of coming to Gibraltar. It's definitely positive news.

Albert Isola: And as you mentioned in your speech, no VAT on services, which is not within scope for the purposes of the Treaty, is hugely important. What other issues do you think the gaming sector will be facing as a result of the Treaty? What opportunities do you think it will give rise to?

Peter Howitt: As well as the practical points in terms of accommodation and movement of the workers, it helps on the perception side; a little bit like the point about coming off the grey list. As we all know, Gibraltar has had and has a difficult relationship with Spain. Brexit made that even more complicated and difficult for Gibraltar because we were now outside.

It was difficult even when we were inside, as people will remember. An adjustment to the relationship which is done in good faith has a really big boost in terms of the perception of the jurisdiction.

Albert Isola: We've talked a lot about shared prosperity. I know from my time that this industry is one that we look towards in terms of shared prosperity with more people being brought to the area of Spain or Gibraltar, and even the possibility of some of our firms being licensed across the way and having dual offices. Anthony, do you think that is now possible?

Anthony Provasoli: I hope so. This is something that I know Nigel (Feetham) worked on a lot, exploring this idea of having dual licences, a licence in Spain for EU access and then a licence in Gibraltar as well, on the financial services side. It makes a lot of sense.

You've got two different jurisdictions where you can potentially access two huge markets. In Gibraltar, probably more from the institution side given its size, but Spain certainly is a big market. It gives you the possibility that, within a small footprint over the border having offices here and offices on the other side, you could access a bigger market. Obviously, there needs to be a lot of work done and a lot of will is required on both sides, but it's a possibility.

Albert Isola: Moving now on to crypto. We're very fortunate to have William Garcia from the Gibraltar Financial Services Commission. Could you give us a helicopter view of the relationship between Gibraltar and crypto?

William Gracia: I'll start off by mentioning the synergy between the gambling industry in terms of Gibraltar positioning itself to see the opportunity within a particular sector and deciding to regulate in a safe, proportionate manner. As most of you know, Gibraltar has been regulating virtual assets or the crypto space since 2018. Since then, Gibraltar has positioned itself as a regulator offering a regulatory framework – so legal certainty – to firms operating within the space.

The regulatory framework covers conduct, prudential and financial crime provisions, which obviously was something very new within the sector, especially in 2018. What we've seen since then is definitely a maturing of the market; businesses being a lot more mature in terms of the products and services, and how they want to deliver those services.

More generally, we've also seen the global regulatory landscape developing and almost aligning to what we initially started with seven years ago. It's been quite interesting in terms of the journey that Gibraltar has had in terms of developing that sector and still continuing to have reputable firms here. As Andrew mentioned earlier, it's not about the quantity but the quality of those operators that we have here in Gibraltar.

Albert Isola: So it's a very similar philosophy to the gambling philosophy of quality over quantity, restricted, high bar and compliance?

William Gracia: And also the investor protection side – and the reputation of Gibraltar is a big focus while still recognising the opportunities that there are within the sector.

Albert Isola: Andreas, is gambling ready for crypto? What is your understanding? Please introduce yourself first because many people here won't know you. What is the opportunity for gambling with crypto?

Andreas Glarner: I head the MME web 3.0 practice in Switzerland, so we're advising a lot of crypto firms but also gambling-related matters. Is crypto ready for gambling, or gambling ready for crypto? I always look at it from an industry perspective, and we need to distinguish between three key elements.

On the one hand, we have crypto as a blockchain technology, smart contract technology, allowing decentralisation and more facilitation of gaming engines, so the pure tech aspect. Ideally, the user would not perceive that, not realise that. It's on the way, but still early days for that technology shift.

Mostly when we talk about crypto, we talk about using crypto in gaming as a means of paying, and there we have two key movements. One of them is the regulated space which we are talking about today as a new type of payment method. Gambling is ready for that. I believe we're going to see a lot of stablecoin adoption on the gambling casino and gambling operator side. We're going to probably see less classical crypto – bitcoin, e-coins – because of the volatility. This is just a new digital asset stream. In terms of adoption, it is very similar to what we advise a lot of the financial institutions. It's about getting the compliance processes ready to accept those funds and process those funds.

The third part of the industry is all the people who made a lot of money in crypto investments and want to use it. Sometimes it's very difficult to prove track record, source of funds, source of wealth etc. Some of them want to be anonymous, and so they will be – or are – using those assets in the unregulated gambling space. It's going to be very difficult to move those players and those assets into a regulated space: it comes along with quite high compliance burdens and costs.

Albert Isola: Do you believe that the adoption will come sooner on the technology or on the currency, if I can call crypto a currency?

Andreas Glarner: So far as I perceive the market, the adoption has been on the currency side pretty much only. There are some web 3.0-based casinos out there that operate. They have a fair amount of transactions, but on the mass adoption side it's the payments element.

Albert Isola: Crypto has always had a particularly bad reputation for the nature of the people that use it although it is getting better all the time. To what extent do you believe that the gambling space with its regulatory umbrella can cover that?

Andreas Glarner: If I look at Switzerland, for example, which is the jurisdiction I'm most familiar with, you have now roughly 14 regulated banks who deal with digital assets. I prefer that term instead of crypto because it's a bit broader. They have been able to set up compliance processes on a banking grade which enables them to accept those funds from those with a partially bad reputation in the crypto world. My take is, if the banks manage to get their compliance processes ready in a banking grade then every casino should be able to do the same.

William Gracia: In terms of decrypting the myths, you mentioned earlier one of those myths is the people who participate in virtual assets are criminals or using it for nefarious purposes. What we've seen in our experience is that is not necessarily the case. There are legitimate uses – or people now using this as a form of investment or speculative investment – and then wanting to use it as a means of payment in these types of operations.

From a KYC perspective, it's exactly the same in terms of the obligations that a firm would need to onboard that customer, so KYC, due diligence, source of wealth, source of funds. The only additional hurdle that we need to get over is accepting these for virtual assets, so employing some of those compliance tools that there are out there – virtual asset tracing, etc. – which allow you to get comfortable with that individual. So, there are ways of integrating it.

Albert Isola: Has Donald Trump's push in the change of approach in the US in respect of digital assets had an impact on the UK, Chris?

Chris Elliott: I don't know that Trump is the person that's shifting the dial on the UK's approach to the acceptance of crypto in connection with gambling. The growth of that particular segment of the sector has been colossal with the size of crypto gambling operators now dwarfing very many in the regulated sector. Regulation is trying to catch up with that – in the US and across Europe as well.

In the UK, you've got the combination of the tainted nature of certain historic crypto assets and a gambling regulator who is extremely nervous about any association with crime. Indeed, one of its key licensing objectives is to keep crime out of gambling.

Those two things mean that the regulator's approach is largely to be allergic to it, and we've got effectively a de facto prohibition on the use of crypto in connection with licensed gambling in the UK. The result is that the small number of crypto holders who might wish to gamble within the UK are currently unserved by the regulated community. So, there's a gap in the regulatory framework.

There are very many people who will be gambling with crypto in the UK who will never gamble within the regulated perimeter but, at the moment, there isn't even an opportunity for that to happen. I do think it's incumbent upon the Gambling Commission and the UK Government to create the framework to allow for that because it's only going to grow in that respect.

Albert Isola: What is your prediction in terms of the UK adoption?

Chris Elliott: We've seen the Gambling Commission speak to the topic. It's not going to be the one to take the lead. It will need to be forced to do so. We've seen it effectively say that it's going to follow in the footsteps of the Financial Conduct Authority (FCA), but the FCA are being much more proactive about how they create the framework for proper supervision and proper regulation of crypto assets and crypto asset services.

When I say the Gambling Commission is going to need to be forced, it will need someone who wishes to use crypto in connection with regulated gambling to bring a licence application or launch an offering by making the notification – doing it in the right way, building the compliance flows that allow for the Commission's nervousness or its concerns around association with crime to be addressed – to force its hand. Effectively, to go in knowing it's going to be met with resistance but being prepared to explain why it is that the Commission shouldn't feel like it's having to lower its regulatory standards in order to allow for crypto to be accepted as a payment method for gambling.

“

Albert Isola: Andrew, in Gibraltar the new Gambling Bill will shortly be published, and of course we have the DLT regulation in financial services, so we already regulate both areas. What is it we need to do to marry those?

Andrew Lyman: We're already achieving some of that today because we have to say to the community who want to be regulated in a responsible way that Gibraltar is open for business and willing to look at licence applications for crypto operators.

Now, I would be the first to admit that I personally don't necessarily have the expertise to make a full assessment of that. William doesn't know it yet but I would be wanting to draw on the expertise of the FSC in this area to understand what is credible.

Am I dealing with a credible application? Am I dealing with a snake-oil salesman who's asking for a licence? Again, we come at it from the point of view that we want the biggest and the best, and those that are prepared to be regulated and have a sustainable business case. As for breaking down the restrictions in the UK, I think it helps if those operators start with Gibraltar, and then we move on from there.

The message is – even before we've received our first mainstream crypto application – we're open for business. We've got to start developing that framework now rather than months or years ahead so that when people come to us, they know broadly how things are going to be regulated, and understand the issues around whether they have to be dual-regulated and if one particular regulator will have primacy. That's the sort of questions that people are asking.

“

Albert Isola: Is there a need for dual regulation? If, for example, the gaming firm uses a Gibraltar-licensed DLT firm, they are dual-regulated already aren't they, without having to have a different framework?

Andrew Lyman: Yes, and in fact I view crypto as a higher-risk payment method, and I have given authority to at least a couple of firms here to use or accept crypto in a restricted way. One firm in respect of some already well-known high net worth individuals who've had a lot of due diligence done on them already. I've taken solace that if they are using a licensed crypto exchange then in some respects I get double insurance, because I'm looking at it from an AML point of view and a social responsibility point of view but they're also doing their business through a regulated firm in Gibraltar.

The issue then comes when the firm wants to do it all for itself, and that's a challenge. We've got to think about all those things in the framework that we develop.

“

Albert Isola: Peter, from your perspective do you think that there's more to be done in terms of the framework, or simply tying into a licensed firm in Gibraltar? In terms of using crypto as a currency?

Peter Howitt: As a currency, I think we're already there. I'm surprised at the UK approach because the UK has AML regulation of crypto exchanges so there is no possible reason why you couldn't have licensed UK entities working with UK AML-registered crypto exchanges. It doesn't make any sense.

In Gibraltar, we've got that opportunity that we always have: the benefit of being able to work more closely together, more quickly, and make sure the regulators speak to each other. On the payments side, I can't see that's really a particularly big issue when the gambling operator says they want to work with a regulated Gibraltar DLT provider.

Where it is an issue is if the gambling operator says, ‘I want to manage my own wallet,’ because now Andrew (Lyman – Gambling Commissioner) has to be really comfortable they can manage a wallet and have all the processes that a custodian would have. There's a tension there and it would certainly be something a regulator would want to look very carefully at.

On the gaming side, as Andreas said, most of the market is crypto for payments, not blockchain solutions for P2P and random number generators. We often see centralised operators having some games that use blockchain elements. That's where it would be easier for you because we really want to see someone who's a traditional operator allowing crypto for payments but then maybe they also want to test using a blockchain solution for one of the games. They could come and speak to you and say ‘Could we get comfortable on how it's audited?’ The audit process could be different.

That hybrid model would work well as we try and work out how blockchain technology changes gambling. It's likely to grow but it's a much smaller part of the market.

It's estimated as 5% of the market, so it's not something we want to spend too much effort on but we should be open to it.

Albert Isola: Tony, in terms of the DLT firms, is there much of a relationship with our gambling friends here in Gibraltar?

Anthony Provasoli: I agree with everything that Peter just said. Two of the better uses for crypto today are wealth accumulation and wealth preservation, and then the ability to convert to stablecoins and use that as a form of payment. We're already there.

In terms of gambling firms wanting to accept payments from their users in the form of cryptocurrencies, there are already a number of firms – some of whom are here today – that are specialising in receiving the crypto and effectively acting as a crypto gateway, a crypto processor if you like, so that the gambling operator never receives or has to handle crypto and just receives fiat into their accounts. These firms are operating within a regulated environment with equivalent anti-money laundering standards, and they specialise in getting comfortable, or finding ways of getting comfortable, with the clients.

I hate this perception of crypto being used for nefarious activity because it doesn't make sense to use crypto in that way because it's so transparent. It's so easy to trace, especially with the tools that we have nowadays. Where I see the big merge between gaming and crypto is that a lot of the consumers, a lot of the individuals that hold cryptocurrency, also are keen gamblers. The industries are attracting the same type of people, so there's a lot of overlap there.

Albert Isola: William, from your perspective, you don't have any issue with stablecoin providers servicing our gaming firms?

William Gracia: Of course not. The way that we view it – and have been viewing it for the last couple of years – is that it's the same activity, same risks, same regulatory outcome. In terms of using it as a payment method, it's looking at what are the risks there and how can you mitigate them? We've already spoken about some of those tools.

Albert Isola: Andreas, in terms of your experience, how do you see the issues that we're talking here happening elsewhere? Are they parallel? Are they similar?

Andreas Glarner: If you look at the European area, you now have MiCA which entered into force this January. That is a unified framework on regulating crypto assets throughout Europe, looking at token issuance and the whole secondary market including custody and all trading-related activities with a financial market focus. For me as a casino, If I accept fiat I used to be able to hold player accounts in fiat in a segregated bank account. That was part of the licence I received. That does not include crypto custody. I normally work together with a regulated crypto custodian who has the appropriate licence, and if I would want to do it myself, I would need a separate licence for that activity under the European regional MiCA licence. In Switzerland it would be a custodian licence. I understand in Gibraltar it would be very similar.

One thought is that maybe there would be an option to extend the gambling licence to a pure custody element – top it up in a way so you can integrate it – because getting a CASP licence in Europe, for example, that's a very complex matter and highly costly. It will never be beneficial for an operator to get it themselves.

The movement to have a framework on the digital asset side which then applies also to gambling, we are seeing that at a global level.

Albert Isola: Chris, where does the approach to stablecoins and their use in gaming companies stand in the UK?

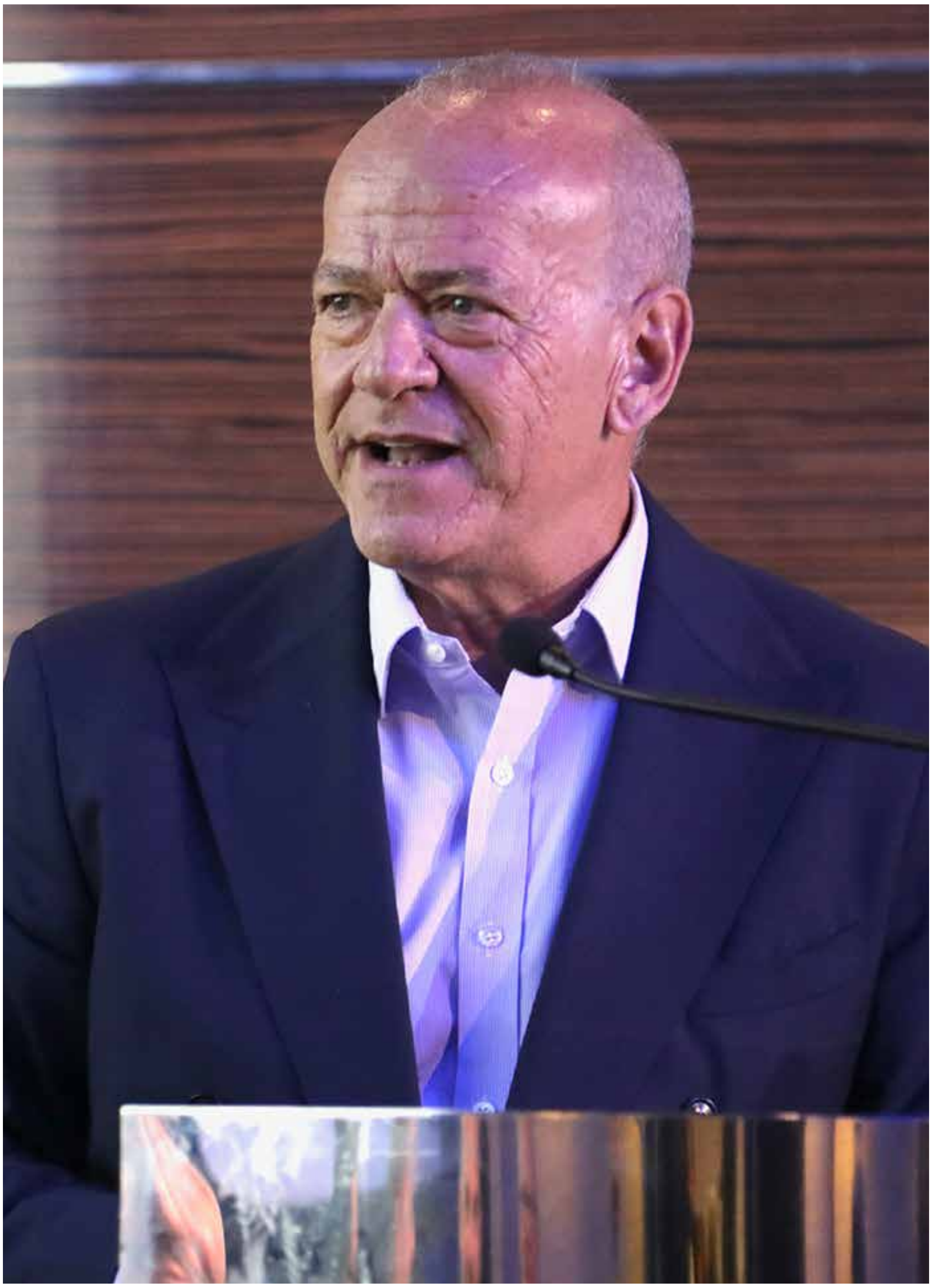
Chris Elliott: It's inevitable that the first use of crypto in connection with licensed gambling in the UK will be a stablecoin. It addresses many of the concerns that regulators have around the use of crypto in connection with gambling, particularly around the volatility of other crypto assets. It deals with those issues head-on by just removing that volatility.

One of the more interesting areas is around wider blockchain technologies and these cases in connection with gambling. Why would an operator in the UK wish to offer stablecoin as a payment method when access to fiat payments is cheap and quick? Many of the reasons why people wish to use stablecoins or crypto assets is because of the perceived friction in accessing certain types of conventional payment methods in other jurisdictions where payments are more difficult. In the UK, those issues are not as severe, so the gap for stablecoins to fill is not as obvious.

What is more likely to shift the dial is an operator that is prepared to accept crypto as a payment method but is also prepared to cater for a web 3.0 audience by product innovation. To have a product that caters to the audience that is crypto-native – people who are used to dealing in crypto assets and stablecoins – but who also want to consume the service, the product itself, through an environment which is not just a rehash of the same gambling service they can access elsewhere.

Albert Isola: What is holding firms back from making that investment and adopting the technology wider? We've been talking digital assets and blockchain for a very long time. Why are gaming firms still not persuaded by the technology to jump in this way?

Chris Elliott: A lot of the incumbents have got existing successful businesses that are perhaps not as nimble as some of the disruptors or innovators – and they're also not prepared to risk that by launching a product which is likely to be challenged by regulators. The hurdles that one would need to jump over in front of regulators in the UK and other regulated markets are probably not seen as worth the investment because it might disrupt or start to jeopardise their wider business practices. There is an opportunity for people who don't have existing businesses – or who are a bit more nimble and capable of disrupting the market – to offer a solution like that to cater for the audience that are potentially likely to gamble within the regulated environment. A lot of people who are gambling in the black crypto market are probably not likely to gamble within a regulated environment anyway.



Albert Isola: Like they wouldn't with cash.

Chris Elliott: Yes, exactly.

Albert Isola: William, we've talked a lot in the past about the real benefits of the DLT regime being the technology more than the actual payment mechanism of a crypto asset. Have you seen that changing since the time that you've been working in the regulator?

William Gracia: Yes, definitely. The dreams from the ICO days have definitely died down. What we are starting to see are more established, mature businesses looking to offer financial services-type activity, whether it's investment, trading, or borrowing/lending within the virtual asset space.

On the point about the use of the stablecoins, I'm going to be slightly controversial – and these are my views, not those of the Gibraltar Financial Services Commission. There is an inherent risk of adopting stablecoins as part of the payment mechanism. It is a privately issued form of money which may or may not be stable most of the time. So there are some additional risks that a firm that wants to accept stablecoins would need to consider.

Saying that, the introduction of central bank digital currencies (CBDC) would be a game-changer in terms of platform operators allowing crypto. When you think of a CBDC, is it really crypto or not?

Albert Isola: Can you talk us through what a CBDC is?

William Gracia: I'll try and explain briefly the difference between a stablecoin. A stablecoin is privately issued by an entity. Normally, they will have different ways of trying to stabilise the stablecoin, whether it be a one-for-one backing or having a mixture of assets that will then stabilise that currency. A central bank-issued digital currency would be the same as a euro or pound. It's a digital euro. From a user/consumer perspective, you wouldn't really know whether you were using a CBDC or using your normal bank account, which is a digital representation of the fiat, the cash you've deposited at that bank.

Albert Isola: Which is the point that Chris made: that the big area of growth for stablecoin is in terms of payments like an FX. It's a very easy way for firms to engage. Andrew, how do you see stablecoins?

Andrew Lyman: It provides reassurance for the gambler in many ways because it cuts out that volatility in the market and also probably reduces the level of things like consumer complaints about how much they're getting back.

Just reflecting on what's been said about breaking down the barrier in the UK with the UK regulator: I've had experience of dealing with one licence for a crypto operator and it didn't fall down in Gibraltar but they wanted to be dual-licensed in the UK as well, and it fell down with the UK regulatory resistance. We've got to be in a position to be ready with the cross-jurisdictional contact between regulators and part of our job is to be able to educate the UK regulator in this area.

I've just come back from the European Regulators' Forum in Athens, and there was talk about crypto casinos but every regulator in Europe as well as the UK is convinced now that it's all black market – it's all illegal and they don't want to go anywhere near it. They just look at ways to prevent it. That tips over into the discussion about regulating them and sets up an immediate resistance. I think the barrier is lack of education for regulators, fear, and also uncertainty in their own ability to be able to regulate an area that they don't truly understand. There's definitely got to be an education piece about that for all regulators.

Albert Isola: One of the big advantages in Gibraltar is that you can talk to regulators. That's something that we take for granted here but is so very, very special when you don't have that same experience elsewhere. By speaking to professional firms you learn from them. I know from my time that was key to going down the DLT journey. I was given comfort by them. Where do you believe the opportunity lies in terms of the gaming and crypto relationship evolving further?

Andrew Lyman: If you look at the crypto gambling market, there are probably about five or six big firms which have the majority of the market share, and then you have a long tail. Many of that long tail don't want to be in the regulated space. Even if you look at the way the fiat gambling sector has developed, there has been a slow drift from grey to fully regulated.

I think the crypto market will eventually follow that path. The opportunity for Gibraltar is finding one, two or three of those big operators with big market share that are happy to be regulated here. We only want the quality so that's the market share we should be aiming at, not the long tail.

Albert Isola: Tony, if you were the Minister what would you do to make this happen?

Anthony Provasoli: I would never be the Minister! There is already a lot of good work being done on using crypto as a form of payment. Both industries are already very heavily regulated in Gibraltar at international standards. There is maybe a bit of a lack of communication or understanding between what each of the regulators does, because between them you are covering a lot of the bases – and a lot of the concerns – that regulators would have.

In the next few years, we'll see more companies wanting to get into this space of receiving those funds from users and converting them to fiat. Another thing we'll hopefully see a lot earlier is the social gaming side with play to earn type of tokens, and native tokens. There could be some gambling touchpoints, but that has huge untapped potential.

Albert Isola: Peter, what's going to happen next?

Peter Howitt: I wanted to mention that the UK is finally moving to an authorisation regime for crypto in 2026. Obviously, we already have the Gibraltar authorisation regime who want to see how market access works. That will increase the pressure for a more holistic and joined-up position in the UK because it makes no sense to have an authorisation regime where many operators also will be subject to consumer duty. The regulatory burden would be very high.

When you have a very high burden on crypto operators that are authorised, and a very high burden on gambling operators, it makes no sense at all for the UK (and Gibraltar as well, but the UK is more of a focus) not to then join up and say, 'All of that cost needs to be supported with revenue.' We should be making sure that, when we want outcomes for consumers, we push them through those channels because we know they're going to look after the responsible gambling side. They are going to look after positive outcomes for consumers.

So, hopefully, it's going to force the regulators to work more together in a jurisdictional sense to say, 'Now we've got a really good perimeter, let's make sure people are in it.' That's an opportunity, and it's an opportunity for Gibraltar and the UK to talk very closely about how to do that.

Albert Isola: Andreas, your experiences of Switzerland and the lessons we should be learning from you?

Andreas Glarner: I prefer to take a step back and look at it more from a global perspective. There is a lot of effort to reinvent the whole global transaction and payment infrastructure. Many big national banks and big commercial banks are working on that. The current bet is that this new infrastructure is likely going to be based on blockchain technology. Looking at that and going forward, it means that we're going to work on digital assets that are just a standard form of payment in our everyday lives. We are moving in that direction. It's my assumption that if we go down the line five or ten years, we will be using digital currency for all types of payments including gambling.

William Gracia: From Gibraltar's perspective, it has done extremely well in creating these two industries and becoming globally recognised.

Albert Isola: What's next for DLT in Gibraltar?

William Gracia: We are looking at updating the regulatory principles. Given the regulatory developments elsewhere where we are seeing a lot more prescriptive regulation coming out, for example, in the EU in MiCA and in other jurisdictions, we are looking to update our regime to make sure that it remains fit for purpose.

Chris Elliott: Andrew hit the nail on the head around there being a knowledge gap. On the regulatory side, it's around how you properly supervise crypto, particularly in connection with gambling. If I was one of the firms that was going to embrace supervision under the new UK authorisation regime I would be knocking on the doors of gambling operators but also other industries to say, 'You're got to take the steps to educate both the regulators and the industries to say why it is they should be embracing this,' because there is that gap in knowledge. They're the ones that understand the risks, but also their mitigations. Educating industry and regulators as to why this is something they should wrap their arms around rather than maintaining the de facto prohibition, which is the status quo at the moment.

Albert Isola: Thank you. Thank you to the KPMG team for providing this wonderful eSummit, thank you to my wonderful panellists, and thank you all for being with us today.

Capital Markets Update

Presentation by Simon French

Industry Consultant

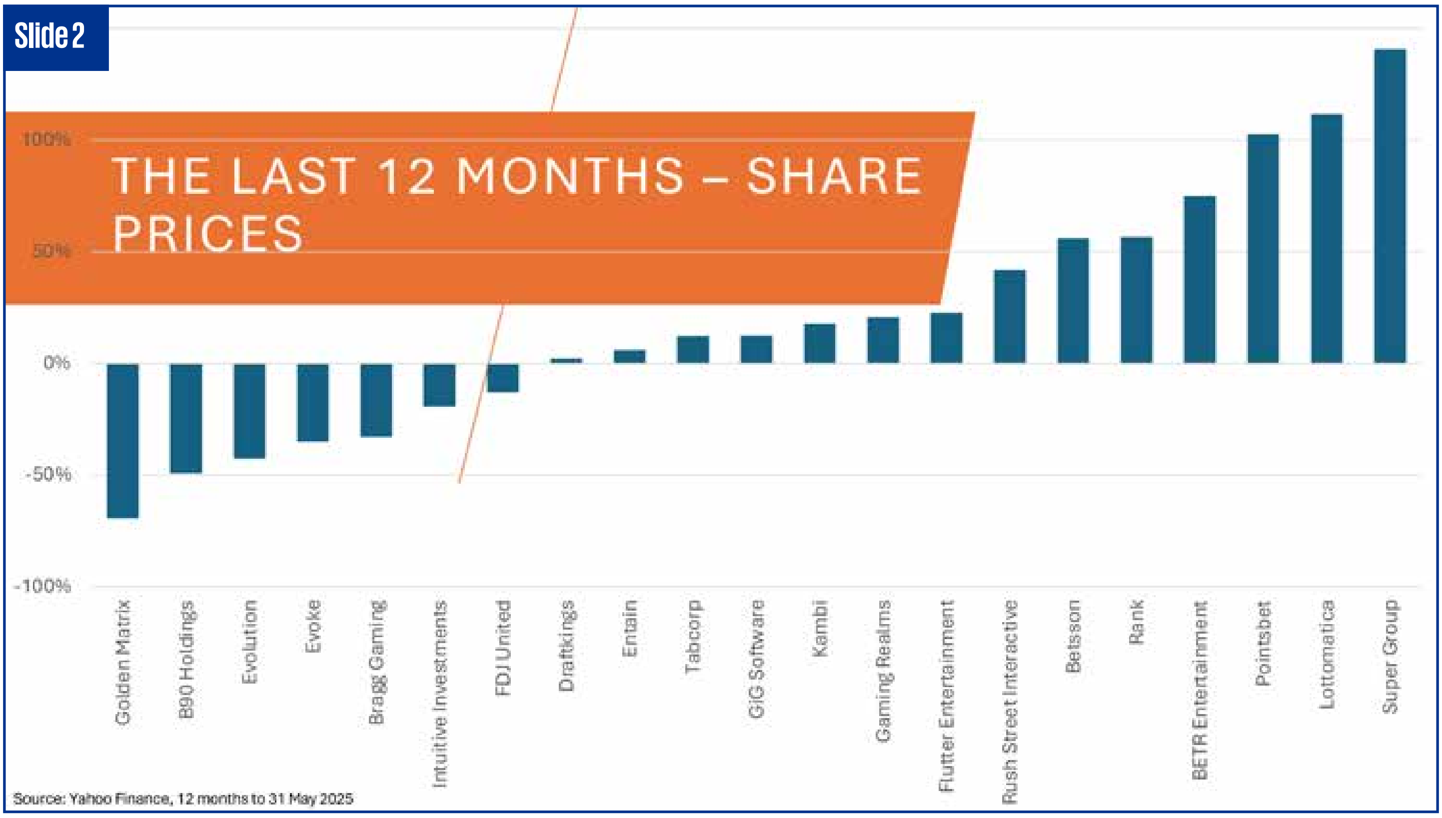
With some 20 years of experience in the gambling sector, initially as an equity research analyst, followed by time as an investment banker and advisor and now as an independent consultant, Simon French has witnessed many highs and lows in the gaming capital markets. His presentation pinpointed some of the key deals, particularly in the past 12 months, as well as the changing trends that are influencing M&A and how these might shape the future.

Twenty years ago, on 27th June 2005, PartyGaming floated on the London Stock Exchange. There was quite a fanfare. The business was valued at £5bn, propelling it straight into the FTSE 100. It was the biggest float in London since the turn of the century. It raised $2.1bn for the selling shareholders and no money for the company itself. It didn't need to.

Of course, PartyGaming eventually became part of Entain. But you'd be hard pressed to find any mention of it in its latest annual report. Indeed, there are only six mentions of poker, including two in the footnotes in the 2024 annual report.

So, what went wrong? If you look at the press at the time (slide 1), you have two contrasting views. One from a sell-side analyst, who says, "There is minimal risk that online gambling will be banned in the US." Then there's the view of recently deceased Henk Potts, an investment manager at Barclays, who called the risk "considerable", noting that over 80% of PartyGaming's customers were potentially breaking the law. A little over 12 months later it was one nil to Mr Potts.

Two other lines jumped out at me from The Guardian article. Firstly, the views of Richard Segal, PartyGaming CEO, on consolidation being inevitable, which it has turned out to be the case. Then the rose-tinted view of the British Government's view at the time of an industry being



determined to make their country a hub for gambling businesses. Maybe that article should be required reading for any new joiner to DCMS or UKGC.

Moving closer to the present day, let's look at the share price performance of the listed online gambling companies across most of the major markets (slide 2). The chart covers the period for the 12 months to 31st May, and the companies needed to be trading at the beginning and end of the period to qualify for inclusion. The average unweighted share price performance is actually a 20% gain: that's pretty good, certainly outperforming the FTSE 250, up around 4% over the same period and the Nasdaq up around 14%. There were twice as many companies, 14 of them, delivering a positive return compared to seven in negative territory.

There are some interesting names in there you may not have heard of, and obviously this isn't investment advice, but Intuitive Investments, which trades as Hui10 in China and is a tech platform for the Chinese lottery, raised £10 million just yesterday. Evolution has had a difficult 12 months, with the spotlight falling on its alleged supply of products and services to unlicenced operators.

On the positive side, three stocks have more than doubled. PointsBet, the Australian listed company has been subject to a bidding war between Japanese firm Mixi and local firm Betr. Lottomatica now has a 30% market share in Italy, and Super Group, which trades as Betway in most markets, recorded the strongest share price performance, reflecting its dominant position in Africa, and not just in South Africa but half a dozen other markets on the continent as well.

So, what of other capital markets activity in the last 12 months? There have been some standout deals, a few of which it's worth highlighting. Française des Jeux, completing its acquisition of Kindred, struck me as a seminal moment for the industry, not least by naming the combined entity as a football team, FDJ United. More importantly, it saw the bringing together of domestic lottery and retail betting with international online gambling. It followed up this acquisition with a €1.5bn bond issuance to refinance the deal, a staggering amount for an inaugural bond issue, and, even more staggeringly, final demand was over €7bn. I'm pretty sure the group wouldn't have seen this level of demand or such tight pricing around 3.5% without lottery being the bedrock of the business model.

Superbet, not to be confused with Super Group, also completed a refinancing, this time €1.3bn, partly to help provide firepower for M&A. Interestingly, this deal also saw the ownership group expand to include HPS Investment Partners alongside long-term backer Blackstone. There is no shortage of institutional capital out there for the very big deals.

“

Probably everyone in this room is familiar with Flutter's M&A strategy of adding local heroes into the mix, leveraging the Flutter edge at its core. The last 12 months saw added expansion into Italy via Snaitech and also into Brazil with NSX, which owns the Betnacional brand. The interesting element here, again, is the huge amount of debt capital available to fund the acquisitions, with Flutter tapping the debt markets for $2.8bn, although at about a 50% higher price than FDJ.

That's been one of the biggest changes in the last 20 years when the businesses were all equity funded and now they happily run along at three times debt to EBITDA with plentiful debt but sometimes a real struggle to access equity capital on the public markets.

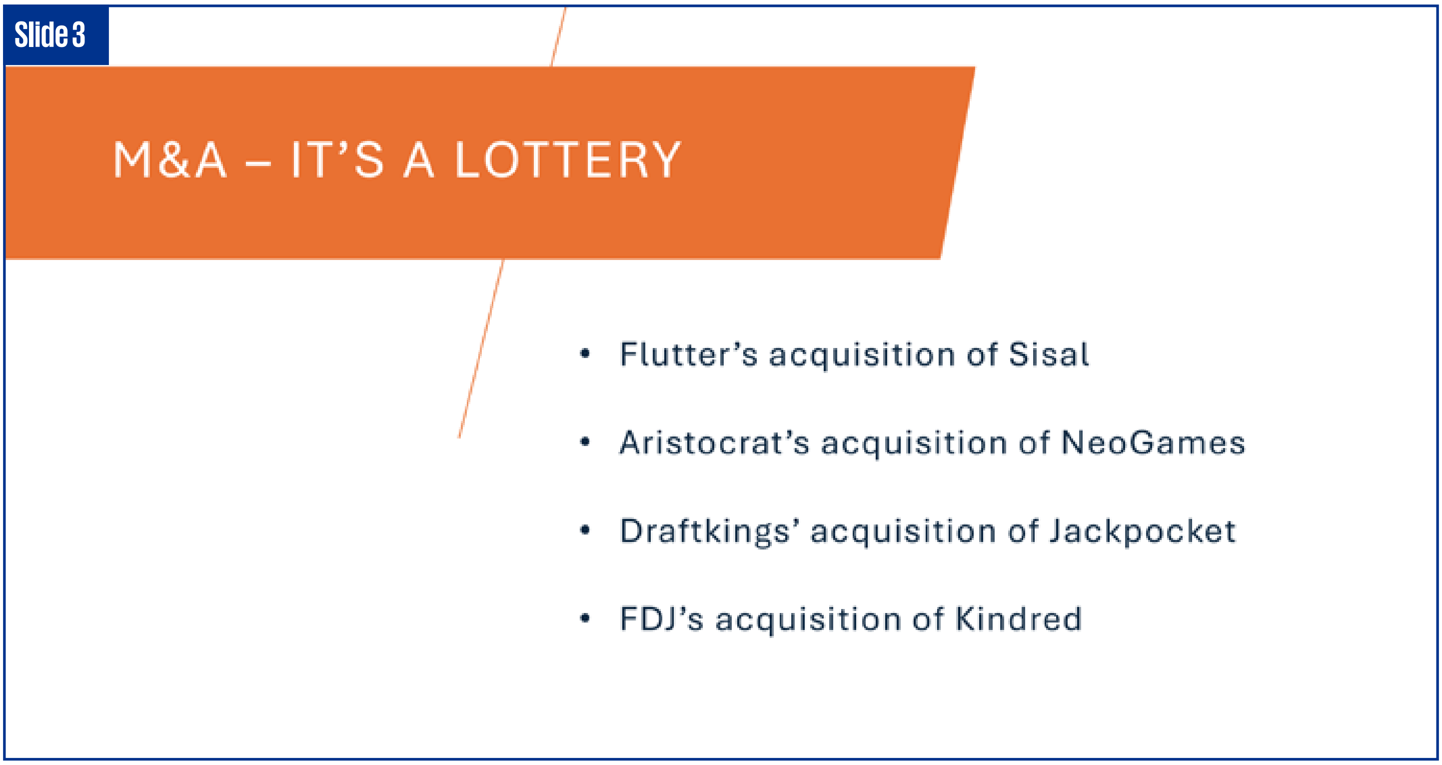
I also wanted to highlight some of the more interesting deals of the past 12 months that seemed to go under the radar. MGM's acquisition of Tipico's US sportsbook platform was a deal that really didn't feature for many people, but it's potentially transformational. Tipico is one of the largest operators in Germany for those who don't know – owned by CVC – and, like many, tried and didn't succeed to crack the US market. This deal now gives MGM and LeoVegas the full suite of technology solutions to go it alone in international expansion.

Meanwhile, Sega Sammy, which is more traditionally known for consoles and gaming, finally completed its acquisition of GAN, and also, despite its attempts to wriggle out of the deal, Stakelogic, a Dutch platform. We often talk about convergence in this industry between sports and media, betting and content, but these two deals show that trend from a different perspective.

Sticking with the M&A theme, I wanted to highlight a trend that came out of one of our pre-calls for the M&A panels that follow, and that's the increasing preponderance of lottery in the deal landscape (slide 3). While these aren't all deals that happened in the last 12 months, they are all big deals. Flutter's €1.9 billion acquisition of Sisal almost three years ago, gave it exposure to regulated lottery operations in Turkey, Morocco, and provided it with lottery capabilities for the first time. It recently lost out on the tender for the Italian lottery, suggesting it sees strong growth potential in this vertical. What of Allwyn, the operator of the National Lottery in the UK? Will it expand its product offering to replicate some of its existing operations in Greece, Cyprus and Austria?

Flutter's deal was followed in April 2024 by Aristocrat's acquisition of NeoGames for €1.1bn, and while NeoGames had evolved from its iLottery foundations through its merger with Aspire Global, its exposure to the vertical was an undoubted attraction for the buyer, complementing its free-to-play jackpot and reward games. Hot on the heels of this deal was the completion of DraftKings' acquisition of Jackpocket for $750m. This garnered a lot of attention, partly due to DraftKings suggesting that lottery would prove to be a great funnel for sports betting but also the very lottery courier business model that Jackpocket employed came under scrutiny after a win by one of its players in Texas, which caught the attention of the state regulators, which promptly banned courier services.

Finally, we have the aforementioned FDJ acquisition of Kindred and the bringing together of those two businesses but a business that's still around 70% lottery from an earnings perspective, hence the cheap debt.



So now to the more fun part: speculating what may happen next (slide 4). Frankly, there's so much to talk about that there are a number of topics, such as sweepstakes, that haven't even made the slide.

Starting with prediction markets, Kalshi posted a tweet saying it's the first nationwide legal sports betting platform in the US directed at Texan residents. Do prediction markets just force States to regulate as otherwise tax dollars disappear through federal permissiveness? Exchange technology underpins prediction markets: good for Flutter, not so good for Entain because it sold Betdaq, but Matchbook and Smarkets definitely become potential M&A targets.

The UAE is less than two years away from the Wynn resort operating in Ras Al Khaimah. Things are moving very fast in that region, initially with lottery, that word again. There are three operators currently offering lottery services in the UAE but there is a lot of speculation that sports betting will follow suit, potentially even this summer.

I read a fascinating report on the plane here that the top 15 illegal gambling sites in India had 5.4bn visits in the last 12 months. The Parimatch Indian-facing website is the eighth most visited website in India, even more than Amazon. That permeates through to the UK, where there was £230m matched on Betfair for an IPL game earlier this year, no doubt benefiting from its B2B feeds that permeate into the South Asian markets. Annual deposits in India are estimated at $100bn. It's simply inconceivable that this market won't regulate.

We had the discussion on crypto earlier and I'm absolutely convinced that, in the next five years, a large crypto gaming business will float on a recognised stock exchange. The PartyGaming moment, if you like, for crypto.

More under-40s own crypto than shares in the UK, and whether regulators like it or not, a player under 30 is much more likely to trust a site promoted by a celebrity or influencer, rather than reading T&Cs and looking for licensing logos. As was discussed, crypto is a great medium for gambling, and sooner or later one of the established operators is going to make a move into the space.

Meanwhile, not a week goes by without someone speculating what's going to happen with bet365. Perhaps rather than try and predict what happens to it, it is more interesting to look at what it signifies. bet365 has been at the forefront of the industry for the last 25 years and has arguably been Britain's greatest export success story of any industry. It has been symbiotically entwined with the growth of the football Premier League in this time, and now it feels like it can't go any further and that is a shame.

Never forget in this industry that what can go wrong will go wrong. For an industry built on understanding probabilities, we're incredibly bad at pricing the likelihood of negative events happening. Let's focus on regulation: only this week we've had Brazil increase its tax rate by 50%. Louisiana has increased its tax rate from 15% to 21.5%. Illinois has introduced a 25% to 50% bet "tax tariff". Never underestimate the willingness of the regulator to create a problem that doesn't need to exist.

There are two big dangers I want to close on. DCMS, the Department for Culture, Media and Sport, is currently under review and, if abolished, where does gambling go? Does it go to the business department, or does it go to public health? If it goes to public health, we have an existential crisis.

In the UK, we have a consultation on taxes and, from my perspective, the industry appears to be splintering. Sports v. casino, horse racing v. other sports regulated v. unregulated. The new Head of Excise at the Treasury, Dr Aveek Bhattacharya, previously suggested when he was at the Social Market Foundation that remote gaming duty should be doubled to 42% – and now he has the keys to the car. Of course, increasing it to 42% wouldn't better reflect social and economic harm, as he said, because players will just gravitate towards the unregulated sites, as a survey this week indicated, suggesting 60% of people would move to unregulated sites.

In an industry that is increasingly making profits from an ever-fewer number of marginally profitable customers, take those players away and an industry might not survive for another five years, let alone 20 years.

Thank you for listening.

The Operator Perspective

Moderator: Simon French

Industry Consultant

Panellists:

Daniel Fischer
Partner, KPMG Strategy US

Gavin Kelleher
Corporate Finance and Financial Planning Director, Superbet

Vaughan Lewis
Chief Strategy Officer, evoke

Jon Martin
Group Chief Operating Officer, Rank plc

Following on from his presentation on the capital markets, Simon French moderated two panel discussions that sought to gauge the opportunities and the issues for those in the gaming industry. In this first session, delegates heard from those at the sharp end of M&A – three of the bigger businesses who are known for their acquisition activities along with an M&A business advisor. Simon began by asking about recent deals they had been involved in.

Vaughan Lewis: evoke is a business that's been built through M&A and combinations. In broad terms it's the combination of William Hill, Mr Green and 888. M&A and scale is fundamental to our strategy. We've laid out a very clear approach to focus on key markets where we invest heavily and try to build a market-leading position. Our belief is that returns to scale and market leadership are substantially higher than being a smaller sub-scale player.

We've been pursuing a portfolio rationalisation strategy, where we're selling and exiting small sub-scale markets where we struggle to compete effectively. We're in the process of selling the US, we've sold out all of our Latin American markets, we've sold Latvia, and then we're reinvesting very selectively in core markets where we've got real competitive advantages and we can invest heavily to build market-leading scale.

In October, we acquired Winner in Romania and built a joint venture combination there. We're number four in Romania at the moment, I think we'll be number two before too long, and then we'll be coming to get Gavin (at Superbet) after that and tackling the number one position in Romania. We've also been investing selectively in Africa. Our M&A strategy is very much low-cost, high-impact: really disciplined in terms of focus on selected markets where we can build a podium position.

Simon French: Are there plenty of buyers for those orphan assets?

Vaughan Lewis: I wouldn't call them orphan assets. There are some great businesses. If you take our plan in Romania, as an example: we had a strong position as number five or six, then combined with a similar-sized business and built a market-leading position. We've got other positions like that that are five, six, seven, eight, nine in the market: they are good businesses but they make more sense for someone else to scale up and build that market leadership position.

Like with any business, the valuation trade-off is profitability, sustainability, value. Often, you can make a lot more money short-term and not really build value. So, it depends on the market and depends on the buyer, but there are always buyers for businesses.

Jon Martin: Similar to Vaughan, we've focused in the last 12 months on what we're good at in the segments in which we operate. We've divested a business in India where we had a joint venture where the 60% tax on deposits made that economically unviable for us. Then in the UK, we acquired some brands that operate on a third-party technology platform, and we divested those in a private sale.

Again, very similar to Vaughan, we're really clear where we play in the UK market and the things that we want to be good at. So, we divested those assets that didn't operate on our technology, which is where we really want to create our distinctiveness, and we now focus on those core brands in the UK market, and in time, how they might work internationally.

Simon French: I know this is an e-Summit, but given Rank's footprint in the UK in casino, how does the regulatory changes around that affect your M&A strategy and the land-based sector, Jon?

Jon Martin: For those of you that don't know, a big part of the White Paper in the UK was allowing more slot machines in casinos. Today, there are 20 slot machines per casino and that now goes up to 80, which provides a material opportunity for the Group.

From my perspective, there are two areas that will shape potential M&A. First, we've got to invest the capital to deliver those machines and experience in venue – that's very capital-intense. Equally, the potential uplift is not yet proven. So, there could be some M&A activity in the future but we've got to deliver the capital and the return first.

There are some interesting moves. Bally's bought the Aspers Casino in Newcastle and Genting has bought the Marquee Casino in Stratford, East London. There's some tactical activity which I expect to continue where it works. At the macro market level, I don't think there'll be any big moves in the next 12 months because we need to deliver on that opportunity.

Simon French: Gavin, I referenced Superbet's €1.3bn refinancing in my presentation. What's been going on?

Gavin Kellezzher: Just to be clear, that was a refinancing, not a raise. In terms of M&A in the last year, we've been focused on refinancing and the markets we've organically delivered in, i.e. keeping our position in Romania and in Brazil, which we entered organically at the end of 2023. So, we've not been active on M&A in the last 12 months.

Over the last five years, I would put our M&A into two buckets in terms of what we've done. We've done market entry in a big way. We acquired Napoleon in Belgium back in 2021, brought it onto our platform eventually in 2023 and have done quite a good job in that market. Then, on the other side of M&A, the second bucket has been where we've acquired technology businesses to improve our in-house proprietary tech stack. So, we've done market entry M&A, one big deal in the last five years in 2021, and then we've done that strategic technology M&A. We haven't done anything in the last year but that's how we think about it going forward.

Simon French: Dan, how have you been getting on across the other side of the pond?

Daniel Fischer: Well, in terms of KPMG and how we are supporting our clients, we're pretty active in the land-based gaming space through both organic and inorganic growth initiatives. Probably more interesting to this group is what we're doing in the B2B space. We have been supporting mega-fund private equity firms in their acquisitions of lottery, gaming, digital and Fintech businesses, including subsequent transformations.

Simon French: Gavin, do you think there's a difference between how public companies and private companies approach M&A and that market entry that you talked about earlier?

Gavin Kelleher: Obviously public companies have different access to capital. You've got the currency of your equity: if it's highly valued, you can use that for M&A, so it gives you an advantage. A public company is also more likely to be established and more active on credit markets and have a track record and a history. So, in M&A, public companies would probably have quicker access to capital.

But from a perspective of executing M&A, I'd probably prefer to be a private company. I'll use the example of our Napoleon business. We acquired it in 2021 and we've grown that business in the period since but, being a private company and not being on the quarterly reporting cycle, has probably allowed us to do things right and with a long-term perspective in mind.

Simon French: Vaughan, would you agree with that?

Vaughan Lewis: I completely agree with that. The benefits of being a public company are that you've got access to capital relatively quickly, you've got a proven track record with debt markets, you can raise equity provided you've got the right kind of opportunity.

One of the big differences is with a new market entry – and Brazil has been the biggest one of the last few years. To go out and say, we're going to lose $300m – $600m and we're going to build a market-leading position in Brazil, there's probably only one public company that could even plausibly consider doing that and would get backing from its shareholders. It's much easier for a public company to go and buy a business and pay more to acquire that kind of market-leading position.

What Superbet has done in terms of investing organically will be lower cost and higher value to deliver but a public company probably can't do that because you have to deliver that constant progress. So public markets are really good at providing capital for M&A and for buying EBITDA but are not very good at that kind of organic investment and spending to build value.

Gavin Kelleher: I'd totally agree. I think I know the public company you have in mind but, even at times when they were delivering phenomenal numbers, the market didn't give them the credit for it, and people were questioning the level of investment they were putting in. So, the market's quite unforgiving on a short-term basis.

Simon French: Agreed. Dan, you obviously see a lot of deals, public and private, have you got thoughts on the trade-offs?

Daniel Fischer: From a public company perspective, a lot of good commentary has been made. I know we will be diving deeper into the regulatory environment later but it's hard to divorce that from any conversation regarding M&A. The regulatory scrutiny, particularly in the US for public company deals, can sometimes be a deal killer. We've worked with clients that have gone through multi-year regulatory approval processes and they haven't been successful, whereas in smaller acquisitions by private companies, you can act more nimbly and close deals quicker.

Simon French: Yes, that timeline, particularly with public companies and the impact on share price, investor perception and investor appetite can be a big headwind. Jon, you mentioned Rank was in India but you came out and you sold some assets in the UK. You've obviously got a very good business in Spain but you can't be everywhere and you can't do all things. You're quite unusual: you're land-based, you're online, you're bingo, you're casino, you don't really have sports, albeit soon to be in casinos. How do you think about prioritisation, allocation of capital, things like that?

Jon Martin: We had a conversation in the pre-meet for this discussion about how we turn down a lot of opportunities on the basis that you can't you get everything done at the same time.

Talking about the difference between being a public and a private business, the oddity in a deal process is you have a relatively short window to build up what you want to do. In a public business, you've got to deliver on that timeline for credibility. Those pressures of running the core business and delivering the commitments on which you've raised significant sums offer real challenges for business, mainly around talent and distraction risk, because in organisations it tends to fall on the same key teams that deliver that value. So, when we're looking at opportunities, there's often very compelling return profiles but we have to think, as an organisation, whether we can deliver this alongside our organic trajectory and we make decisions through that lens.

It is a real consideration in today's world: how do you do both those things at once? Because businesses like the idea they've got this business today, they add this business on top and add these synergies and they've got a much bigger number. The reality is that never happens in my experience, so we think very hard about any opportunity through that lens.

Simon French: When you look through that lens, are there particular geographies that you're not in that are attractive in terms of the product set that you've got?

Jon Martin: So Rank is in quite an unusual position in the sense that we're a relatively small part of the UK market, we've got some Marquee brands that haven't got their cut through in digital. To Vaughan's point, we're in a public business that has to deliver on returns.

To a certain degree, we're always going to get a greater return by investing our pound in the UK market at the moment. So, something that comes along and delivers on that value creation for the shareholders without distracting from that core UK focus is a key consideration when opportunities come through the door.

Simon French: We all know there are a number of ingredients to M&A, one is capital and the other is seller's expectations on value. Dan, where's your sense around those two factors at present?

Daniel Fischer: When I think of the fluctuation in terms of sellers' expectations post-COVID, we saw quite a large increase in valuation in the gaming space, in particular for i-gaming and sports betting companies. Some would argue that reached unrealistic levels. It eventually fell off a cliff, to a degree, and what remained was large bid ask spreads. As reality has set in, those are starting to get more realistic but it hasn't achieved full recovery yet.

That dovetails nicely into the availability of financing and capital. We all know that we operate in a very volatile market. Interest rates remain high. I would love to give a view of what things are going to look like in the next year – or even the next three months – but we can't, given current conditions. That being said, deals are still being done, especially for organisations that have robust balance sheets that are getting high valuations, but it's costing more and that's having real implications for organisations.

If your capital is costing more, that means that your value creation plan for the asset needs to be that much more robust and that much more certain to make sure that the numbers work. So, when we're working with our clients, we're spending a lot more time on that to ensure that they can still achieve the value from their deals.

Simon French: If we think about then the regulatory backdrop – all the increases in tax rates that I referenced in my talk, and the potential for the UK tax rate to increase significantly – what does that do to the M&A landscape in markets?

Vaughan Lewis: The game has changed completely from 20 years ago. You didn't have much tax then. They were very high profit margin businesses, frankly very easy and a bit like scooping money up off the floor. Now, it's much more complicated.

The regulatory requirements are much higher. The barriers to entry are much higher. Profit margins are much lower as a result. But the value from that can be higher. So, when you think about that divergence between profitability, cash generation and then value, a slower growth, lower margin but really robustly-regulated business can be worth more than a high growth, high margin cash cow.

Simon, you went back to 20 years ago with PartyGaming in your presentation – if you look at that business now and at how the industry has evolved, it's a good demonstration of what's going on. The most valuable businesses are those with the sustainable market-leading positions where it's tougher and it's lower margin and it's harder work. But they'll still be here in 20 years.

Gavin Kelleher: The only certainties in this industry are regulation and increased taxation. When you're looking at M&A, you just build in bigger discounts to your modelling. That's all you can do, particularly in a higher interest rate environment.

I don't know how that plays out in terms of sellers' expectations because maybe they don't have the same view as to what the potential risk is. But it's going to become more tricky to make deals work, and it will cause more work. You will discount a lot more because the risk of tax increases has increased.

Simon French: Jon, you operate in highly regulated environments in terms of your land-based bingo clubs and particularly your land-based casino sites. Where do you sit on this journey around regulation? You've got some competitors who, dare I say it, have a lighter touch approach to regulation on the high street?

Jon Martin: In terms of regulation, it's about protecting the customer and we're probably one of the first in the UK digital market to take a relatively stringent stance on player protection. For us, that leadership position is now paying off.

In terms of the taxation position, some of the rates that you mentioned in your opening, Simon, such as 42%, make a lot of businesses economically unviable. From an M&A perspective, that might mean you see some businesses in the UK become undervalued and you get some non-domestic attention.

From a UK-to-UK perspective, there's going to be less opportunity because the cash flow just won't be there. There are not many businesses that operate at +25% EBIT margins, as Vaughan was saying, that could absorb that sort of kind of hit to the P&L.

Simon French: It's quite a scary thought when you characterise it like that: how do you deal with a tax increase of 20%+ when industry margins are sub-20%? We end up in a New York State-type position of everyone being there but making no money.

In terms of the value chain in the sector, Vaughan said historically it was like scooping money up off the floor. No one necessarily understood the value chain in gaming 20 years ago.

Now, I think everyone has an implicit, deep understanding of it. Is it important to own as much of the value chain as possible, and where does AI fit into owning the value chain?

Jon Martin: I think our experience in the UK market is broadly reflective of other geographies: it's now a lot more competitive than it was 20 years ago. If you look at the cost of buying customers versus keeping them, you have to be really good at what you do. You've got to have a distinct experience – and owning the technology that delivers that is key. The extent to which you can buy in technologies that help you improve that customer journey is vital from a revenue perspective.

Equally, from a cost perspective, for every £1 most operators make, they give 20p to a supplier. That doesn't even cover some of the AI and the other technology costs that come into it. I can definitely see a trend where operators start to take more control of the technology because it's vital for the revenue growth but also from a cost rationalisation perspective.

Simon French: How is Rank approaching AI as an opportunity?

Jon Martin: We're very much borrowing the services rather than buying them at this stage. Like for most operators, the obvious opportunities are around natural language when your customers speak to you, copy and creative creation, technology coding. I think 90% of technology code today has already been written. So, if you can automate the creation of that, if you've got a standardised technology base, why not use that? We're relatively early on our AI adoption.

Simon French: Gavin, what about with Superbet?

Gavin Kelleher: It's similar to what Jon said: a number of different parts of the business are doing a mix of using it in-house and also buying in. We are at the start, as an industry, in terms of how we use AI and as many areas as possible are looking at it. Customer service, as Jon said, is the obvious one. Engineering-side, it's how they can use it to become more productive, and then obviously the implications for trading, risk management, etc., But it feels like we're very early on in that evolution as an industry in general.

Simon French: Would you agree with that, Vaughan?

Vaughan Lewis: Yes. We are investing very heavily in AI: it's one of our core strategic initiatives. We've got a cross-functional unit which works across all teams helping to improve the customer experience, drive personalisation and streamline operations, reduce costs, make speed to market quicker. It's a key investment for the business.

We're not dogmatic about building in-house and owning or partnering with best-in-class technology, that's the future. I won't name it but I worked for a place previously where it was so dogmatic about owning technology that they even built their own email system and server. You can be totally extreme like that, or you can say ChatGPT and Grok exist, you're never going to do better than that. Let's partner with best-in-class and use them to improve the way we operate as a business and to improve the customer experience.

For businesses, it's critical to pin down that strategy of where you are differentiating, where you are delivering for customers, then invest appropriately in those areas and partner with best-in-class, where it's available.

Simon French: Dan, when you look at it from a US perspective, is there a different approach to owning the value chain, owning the tech and AI as well?

Daniel Fischer: I wouldn't say so. The AI point is interesting because I would categorise organisations into two different buckets: those that have a very well thought-out plan on how they want to test and adapt AI in their business model, with a pretty robust roadmap, and those that are just throwing spaghetti against the wall and seeing what sticks.

Obviously, the former is the preferred approach. Being thoughtful about it, even if it takes you a little bit longer is important to an organization's success. There are some great use cases that highlight AI in the industry. I'm also seeing people looking at testing. That's something that will be a hot area in the future. The customer element of it, especially for land-based casinos, is a very easy area to adopt faster.

Simon French: Our time is almost up but I did promise that I would ask about bet365. I'll keep it simple: will bet365 be an independent company in two years' time?

Gavin Kelleher: Who knows? It's a phenomenal business. Everyone in this room will have a lot of respect for them. Organically, it's the success story of the industry with one brand globally. If there is an event, a lot of people will be interested but we could be sitting here in two years' time and nothing will have happened.

Jon Martin: I'd echo that – I don't know. They create a lot of value, whether they exist for their shareholders today or part of a different business, but they're a fantastic business.

Vaughan Lewis: I believe it will be. It's one of the true global success stories of the UK and not celebrated enough, I would say. As an industry, we should be very proud of businesses like this that have expanded internationally and become as big and dominant as they are.

Simon French: Thank you very much.

The Legal Perspective

Moderator: Simon French

Industry Consultant

Panellists:

Tamsin Blow
Partner, CMS

Susan Breen
Partner, Mishcon de Reya LLP

Steven Caetano
Partner, ISOLAS

Lizzie Dunn
Partner, Bird & Bird

Andrew Montegriffo
Partner, Hassans

Spotting a good business opportunity is only one half of the equation around M&A – ensuring deals meet regulatory requirements and minimise risk is equally important. Moderated again by Simon French, this panel considered the difficulties of getting deals over the line whilst meeting the requirements of stakeholders, regulators and consumers in markets where technology continues to evolve at pace. Simon began by asking about current deal appetite and the dynamics affecting M&A from a legal viewpoint.

Lizzie Dunn: There are definitely still deals happening. We have seen a slowing down over the last couple of years. There was a lot more activity three, four or five years ago. Where we're seeing that activity is with big businesses really focusing on which markets they want to be in and divesting some of those markets that aren't working for them.

Also divesting some of the grey market activity that they just don't want to keep on their books anymore. We've seen quite a lot of that activity but deals are taking longer. There is a bit of nervousness from buyers that's affecting those valuations, which takes longer.

From a legal perspective, two of the things that are affecting those valuations and deals are regulatory uncertainty and regulatory enforcement. How do you value changes from grey markets to regulated markets? What impact is that going to have on a business that maybe has done very well in a grey market? There's no guarantee that's going to continue in a regulated market.

Increased enforcement activity is a theme every year. How do you factor that in? Those customer claims in territories like Austria, Germany and the Netherlands – some companies are seeing huge numbers coming through and the uncertainty comes from whether they will finally be enforced. How much are the companies actually going to pay out?

We're seeing very different approaches taken. Some, particularly public companies, are setting aside vast amounts of money to settle those claims. Other companies are being very bullish that Bill 55 and Malta's efforts are going to be successful, and they're not going to have to pay out anything.

If you're buying a business and you have big exposure to those markets, how much do you want to take off the valuation? It's still unknown.

Simon French: Does anyone want to expand on Bill 55? In essence, this is Malta fighting the good fight and saying that because the company has a licence in Malta, they don't have to pay out claims at a localised licence level. Is that right? Anyone want to correct me?

Susan Breen: I don't believe the battle is over yet and resolution will not come this year with just one of the cases under review. It will be interesting to see the outcome of the federal cases, probably next year. I think Malta has a good chance, so there's plenty of skin in the game.

Lizzie Dunn: I agree but there is that uncertainty around how much are you going to pay out and when? If you're looking to buy a business now, depending on the profile of that business, that's quite difficult to factor in.

Susan Breen: I'm assuming most of the big businesses have the provisions already booked. It may be more difficult for smaller businesses.

There has been a lot of positivity around Gibraltar in the last 48 hours – where does Gibraltar sit from a licensing perspective? Are we seeing more licence applications coming into Gibraltar? Are we seeing more B2B licences? What's the landscape looking like?

Andrew Montegriffo: We have seen an increase over the last couple of years in new licence applications. Certainly, a lot of the UK-facing activity is now being run out of Gibraltar. We've seen many medium to large-sized operators who historically set up in the UK now coming to Gibraltar, almost doing the reverse of what the original incumbents did, starting here and moving towards the UK. That's certainly increased the number of licensees.

As has been discussed already this morning, Gibraltar is alive to the fact that point of supply jurisdictions generally are under threat to some extent, and that Gibraltar and others need to reinvent ourselves as a support service type jurisdiction for the industry. The new Act certainly would make very strong moves in that area and would allow the industry to continue to grow and thrive.

The areas in which we're strongest currently reflect the existing practices: we all know that VAT saving is one of the main draws for operators to be in Gibraltar. Just making sure that's preserved and enshrined – and indeed grown – is something that the new Gambling Act will look to do.

Steven Caetano: In Gibraltar, we already have quite a robust regime in terms of policing licence holders, regular audit inspections, and enforcement powers for operators. With the new Gambling Act, we expect greater enforcement powers for the Commissioner.

One power will be the ability to wind up a business that's not regulated in Gibraltar, something which has been lacking under the existing regime. There is also going to be a regulated persons regime introduced, similar to the UK PML (Personal Management Licence) system. The aim is to continue to grow the sector while at the same time maintaining high standards that we've kept in Gibraltar for so long.

We see a lot of opportunities for the B2B sector in particular, with the phasing out of sheltering and the requirements to obtain your own B2B licence to service operators in Gibraltar being the key growth factor. Certainly, the tiered system that will be introduced under the new Act for different licence types with licence fees based on turnover will also open up opportunities for smaller B2B suppliers to enter the Gibraltar market.

Simon French: It's really interesting the direction Gibraltar's going. Looking at the Isle of Man, Susan, there's obviously been some challenges for some of the suppliers there with TGP and Celton Manx surrendering their licences. Do you think this signals a new era, if you like, of regulator cooperation? Some of that was helped along by UKGC – what should companies think about it and will it lead to more M&A?

Susan Breen: I'm not sure whether it will lead to more M&A but the two big issues here, which were exemplified by TGP and Celton Manx, were the inability to know where money was coming from, social responsibility risks, ownership, and that the white label structure just did not work. Backing out of the UK market, the surrender of the Isle of Man licence was an inevitability faced with the sanctions that they were going to get from the Gambling Commission in the UK.

There's a bigger issue here in my view, which is whether you can have any licensing system that is good enough to withstand the threat from the black market. That's where the regulators are already, and have been for quite some considerable time, talking to each other about how they can achieve closer cooperation. I'm hoping that the regulators, particularly in the UK and other top tier jurisdictions, will also be listening closely to their licensees' experiences, both B2Cs and B2Bs, in their home jurisdictions. We've had some challenges relationship wise in the UK over the last few years, but those relationships generally seem better and more productive, there seems to be a level of stability.

Factors that will add real tension and pressure in the system include the increasing demands by regulators for more and more regulation across the spectrum of compliance and product offerings, for example tighter bonusing. I think, largely, most operators are coping: but its more expensive, and increased customer verification and product changes are inevitably driving many consumers to the black market. So, its essential that all stakeholders including the regulators, understand the impacts this has on the market. Creating, a perfectly-formed and beautifully crafted licensing ecosystem (whether the UK, or Denmark, or wherever), does not fulfil its objective if, ultimately, the customer goes elsewhere. And, at the end of the day, the customer makes the decision.

So, front and centre for our regulators has to be looking at the protection of the customer but also understanding any unintended consequences such as the push and pull of the black market. Everybody has got to wake up, take a reality check and be smarter about how they deal with the black market.

Simon French: I think you're absolutely right. Andrew Lyman referenced earlier the get together of the European regulators around understanding crypto. Ten years ago we talked a lot about recycling of cash flows from unregulated grey markets into regulated markets and using that cash flow to acquire dominant positions through organic growth. Are we starting to see the same now with crypto? Tamsin, we've seen Stake look at Denmark acquisitions, along with Italy and Latin America acquisitions. What are the nuances that we're going to see in terms of regulating crypto-generated cash flows – and the convergence between fiat and crypto casinos?

Tamsin Blow: There are some green shoots there, and we heard earlier about the opportunities that could exist in terms of crypto. We are seeing some of the players in the market start to do that. We're yet to see a big player do that, and that's because of the very significant risks that arise.

We know that we've got, particularly in the UK, a Commission that is very concerned about crypto. The level of concern isn't just at the layer of an operator itself offering crypto products, but even if you use a payment provider who offers some kind of crypto payment. How you're expected to deal with that is a bit unclear. It's set out as an emerging risk and that you need to be aware of that. I think the reality is you're going to have to answer to the Commission if you're going to try and push that through.

That makes for a difficult backdrop but that's where people seek to get the edge. As you say, we saw that with grey markets and people were operating in that space, reporting where they needed to in terms of the amount of revenue they were getting. It's a risk in terms of where the regulation of that crypto is going to go. What's clear from the UK perspective is that they're going to expect the FCA to go first.

Susan Breen: I agree but we have slightly different views and Gibraltar are way ahead of us on this. Again, it's a bit like the grey market/black market debate: you have the Government in the UK setting out its growth agenda and it's all about innovation and getting rid of unnecessarily complex legislation. The FCA and the other regulators are saying this is great but we're here to protect customers and that's why we have regulations. Would you like to tell us which regulation you'd like us to lose and still protect customers to the level required? That's where a real disconnect is.

The Commission is very concerned about payments: it's probably the most significant area of concern but the industry needs to grapple with it, it's happening on the ground. As a marketplace, we really need to understand the dynamics in terms of risk and opportunity, get better educated and find a way to facilitate this over time with a level of risk that's acceptable.

Steven Caetano: Simon, you said earlier that most under-40s have more assets in crypto than the London Stock Exchange, so that tells you the trend is here to stay. The industry is adapting to it and so should regulators alike.

In Gibraltar, we've had legislation and licensing regimes for crypto for some years, and gambling is quite mature as an industry with regulation for more than 20 years. The opportunity seems to be staring us in the face and it has been for so many years already.

There's a huge link between Gibraltar and the UK so the sensitivity will be there. If Gibraltar wants to go first, it will have to check with its big brother in the UK, I would imagine, to make sure that politically there's no issues.

From a regulatory standpoint, I don't see why it cannot happen. From a political point of view, maybe there are issues there. Certainly, if you have a scenario where you have a Gibraltar-licenced crypto wallet or exchange facilitator in Gibraltar licenced by the GGC, and you have an operator in Gibraltar licenced by the Gibraltar Licensing Authority, there should be no technical reason why you shouldn't be able to take that currency through the Gibraltar Licenced Exchange.

In terms of putting the crypto within the gambling company's environment, it's a completely different story. I would imagine you would have to be dual regulated. The big question is, politically, how will it work, and will the UK finally embrace the space and allow Gibraltar to do so at the same time?

Lizzie Dunn: I totally agree that the regulators need to catch up on the crypto front. It's happening. The black market operators are so much more sophisticated than they were five or ten years ago, you can't ignore them in the same way. But that well-trodden path of getting traction in grey markets and then converting that into the regulated markets is a lot harder now.

It's going to be very interesting to see whether Stake gets their deal through in Denmark and whether they're able to get hold of a licensed entity, because that will be huge. Even if the regulators catch up on the crypto side, that doesn't necessarily automatically open the door for current crypto operators to walk in and get licences because there is a long history that they will need to get regulators comfortable with.

Whether that's more an opportunity for existing licensed operators to start to expand their operations and maybe compete a bit more with some of the current crypto casinos and operators, possibly more than the big grey market players coming in and taking those licences, it's still going to be really tough.

Simon French: I mentioned in my talk earlier that I do genuinely believe you will see an IPO of a crypto gambling business in the next five years. Andrew, what are the difficulties and how do you navigate that, presumably with a Gibraltar licence and a good Gibraltar lawyer?

Andrew Montegriffo: Always. The two obvious ones that jump out are regulatory exposure and AML/ CFT issues. These are already major risks anyway in a gambling acquisition/ IPO, just heightened significantly because of any crypto angle.

There are also crypto-specific issues that need to be considered. For example, I don't know if any entities have issued native tokens: there may be issues with securities laws internationally, not just in Europe or the UK, but look at the US. There are also complex structures to navigate. Many of these crypto companies operate DAOs, decentralised organisations, which don't fit neatly into legal structures that we're used to. Apart from the usual complications that come with gambling IPOs and gambling acquisitions, you have these added layers on the crypto side which make things more complicated.

How do you deal with it? Increased DD, pre-acquisition or pre-IPO restructures, clean up areas of the business and acquire bits and pieces that you feel stand up to scrutiny. On the regulatory front, try and engage proactively and early with regulators. Jurisdictions like Gibraltar can offer that early regulatory triage process to start understanding what a regulated future could look like. Starting to go down that road as part of an IPO acquisition would certainly be something to consider.

Tamsin Blow: The gambling industry is going to have to grapple with the same problems as many of the exchanges are already having to grapple with. For example, the vulnerability for hacks of the crypto. Whilst you can have great visibility in terms of the ledger and where that has gone, once you get to a jurisdiction or an exchange that isn't credible or is not going to be responsive to any form of legal action, that's going to be quite difficult. There is a whole area of exposure that they would also need to grapple with around that as well.

Simon French: It's such an interesting debate. I'm reliably informed the world's fastest-growing online casino is on Instagram called Kiron. The player base is so far ahead, not just of the regulators but of the operators, and that's why operators have to find a way to get exposure to this. At some point an operator has to bite the bullet and make an acquisition or get exposure. How would you recommend approaching an acquisition like that in the sector?

Andrew Montegriffo: Go in with your eyes open. The opportunities are there, certainly. As we've mentioned, regulators and operators can't ignore it anymore. It has got to a stage where the market share is just going, and it just takes the bravery and foresight of one to say we want to take this by the horns, really address all the thorny issues and take it forward.

Lizzie Dunn: Think about the deal structuring in terms of what is it that you really want to acquire. It's easier to go in and buy a whole company but you get the whole history, all of the activities with that, and there is obviously increased risk with these kinds of companies.

So, are you actually looking for the technology? Can you just buy the technology? Are you looking for the expertise? Maybe there will be some more deals where you're cherry picking some of the assets, rather than going in and buying a whole company, which can be a little problematic.

We've certainly seen the trend of bigger companies divesting that grey market activity. It's harder to have both types of activity sitting within one group now than it was even five years ago. It's tough to see big companies divesting of that grey market activity and then suddenly looking to buy in a whole lot more difficult activity. Maybe we'll just see some cherry picking of technology or expertise. Otherwise, I totally agree, go in with your eyes open.

Andrew Montegriffo: It'll be interesting to see whether the first big deal is a crypto native casino that decides to come into regulation, or whether it's an established, regulated operator that decides to go the other way. I'm still not quite sure which way it'll go.

Steven Caetano: It could be done by way of asset purchase, not buying the company and the legacy that comes with that. It could be buying the people who have the expertise, bringing them into the clean operation in the gaming company, as it were, and starting fresh with these assets within the portfolio. Certainly, an asset purchase would seem to be a safer bet.

Susan Breen: Probably less attractive to the seller. If there is M&A, it will start in jurisdictions where it is generally accepted. Stake has a Brazilian licence. I think the UK would likely sit and watch to see what happens here. They're probably not pathologically against it, but they're understandably very nervous and concerned. I would argue that the UK needs to really engage with some of the issues and work with operators to see what's the art of the possible.

Tamsin Blow: A lot of those themes that Susan just flagged arise in relation to AI as well. That's flagged consistently by regulators as being an area of concern. So that needs to be factored into any M&A activity. We don't really know where they're going to go in terms of the regulation of it, not least because I don't think they know where they're going to go.

“

Simon French: It feels like there are so many issues building up for the regulator. The regulators have never been able to keep up with technological advances, but it seems, because technological advance is so quick now, the regulator really struggles.

Susan Breen: There are too many priorities. It's great to keep raising the bar on licenced operators and B2B suppliers, customer diligence, KYC and everything else. But while that is happening, there is a serious risk of increasing leakage to the unregulated market. There has to be a balancing between what are the next priorities and a little bit of flexibility by regulators to understand better the real world market and regulatory dynamics.

“

Simon French: I have lots more questions but, unfortunately, our time is up. Thank you to all our panellists.

The LATAM Landscape

Moderator: Robin Chhabra

Tekkorp Capital

Panellists:

Pedro Extremera
Regional Director Iberia & Latam, Playtech

Camille Gonzálvez
Associate, Ecija Law & Technology

Anna Kutseno
Director Deal Advisory, KPMG

The LatinAmerican market remains a beguiling if frustrating opportunity for the eGaming sector. While there are significant populations with a high propensity to gamble, regulatory regimes are often fragmented and confusing, and cultural preferences require careful consideration. Moderator Robin Chhabra, an advisor on M&A and strategy in the global digital gaming space, began the session with an introduction to some facts and figures in the region ahead of further commentary from experts in the area.

“

Robin Chhabra: Not surprisingly, at Tekkorp we have a number of clients who want advice on LatAm entry strategy, and for good reason. The region offers those twin benefits of scale and growth. The online market is expected to be $15bn in GGR by 2027, and we expect the market to grow by 15% to 20% CAGR over the next three years.

There are some powerful underlying drivers. If you look at the mature gambling markets across the world, gambling as a share of consumer GDP is around 0.8% to 1.5%. But, if you take Brazil or Mexico, it currently stands at only 0.3%-0.4%. So, there is a lot of pent-up demand as well as the normal shift from retail to online, benefiting the online market.

The six biggest markets in the region are Brazil, Mexico, Colombia, Chile, Peru and Argentina. Brazil is definitely the biggest, about half of the overall market. As you all know, the market regulated on 1st January this year, so it was a bit of a momentous occasion. Brazil is highly competitive with over 80 licensees in a market where the black market is still rife. Tax rates are very high. Even in its short history as a regulated market, regulations have tightened, and as recently as a couple of weeks ago, they’ve already tightened advertising restrictions. Is that situation sustainable? Can 80 people really stick around with that market and make money?

Mexico is another great market worth $2bn. Again, loads of pent-up demand. There have been some supply constraints in the land-based market which means there’s a lot of slack for online to take. Access is relatively easy to gain, but there is a 60%-65% share owner in the form of Caliente. Have they got structural advantages, which means that their position is entrenched, or is there an opportunity for new entrants to come in and take share and build a significant position in Mexico?

Argentina is a $1bn market and growing. It has a complex regulatory setup. There is no unified federal regulation: it's done on a province-by-province basis. They set their own tax rates, their own licensing requirements, their own regulations. But with the entry of Javier Milei as President, he seems to have transformed the economic outlook. Inflation has been subdued. The currency has stabilised. He's opened up the market and what was a very hostile economic backdrop has now potentially turned into a benign one.

From the picture I'm painting, you can tell that this is not a homogenous market. Each region has its own opportunities and challenges. Consumers have different tastes and preferences which need to be navigated and served. A nuanced approach is required and our experts today will help us explore those questions and explain how money can be made in that region.

Camille, can give us a thumbnail sketch of the regulatory environment across the region and give your view on whether, in each of those regions, the regulations are operator-friendly or not?

Camille Gonzálvez: The Latin American region has been for a long time considered as an emerging market. Nowadays we can also say that most of the regions in Latin America have regulation with a licensing regime in place, or they are going into that direction. That is not the case for other regions.

We can split the regions in Latin America into three or four categories. The first would be the regulated regions with enforcement mechanisms already in place. Colombia was the "big brother", the first to start regulating with a very efficient licensing system since 2016. It seems to work quite effectively in reducing the black market and is long established now, almost 10 years. Peru has also emerged as one of the most significant benchmarks for the region since the approval of its legislation in 2022 and the effective launch of licensing. Brazil is also in the list of regulated countries as it has only just launched its federal system on January 1, 2025, as well as Panama where since 2022 licensed operators may offer sports betting and casino games to players both in and outside of the country.

Going back to Colombia, their regulators have implemented an effective mechanism that directly links advertising spend to operators' GGR. By capping advertising as a percentage of GGR they ensure that as revenues grow, advertising grows too but within limits.

The second category is regions that are partially regulated, where we find for example Mexico, which has a complicated and still great system that allows land-based operators to offer online casino gaming and sports betting. They were allowed to do that from 2003, although in November 2023 Mexico's president signed a decree that amends the 2004 regulatory decree to restrict online gaming licensing.

In the partially regulated areas, we have Argentina which has a regulation system in place on a province-by-province basis. There's still a long way to go in order to harmonise all forms of online gambling.

The third category is those regions where there is still a monopoly or are in transition from a monopoly to a licensing system. This would include Chile, Costa Rica, El Salvador, Paraguay, Uruguay and Ecuador. In most of those, the only operators allowed to do online gambling, whether it's sports betting or casino, are national lotteries that sometimes have the ability to issue concessions to third-party operators.

In the fourth category, we would have the unregulated areas, for instance Bolivia and Guatemala.

Robin Chhabra: Do the regulators in these different regions talk to each other? Do they take inspiration from each other, or are they each making it up as they go along?

Camille Gonzálvez: Absolutely, Columbia has inspired all of the rest of the regions to almost copy the regulation. They're very similar to the Colombian model. Then each country has to adapt to its own structure, whether it's regional, federal, or otherwise. For example, Brazil is quite complex with the federal licence that in principle allows operations nationwide while individual states and municipalities also issue their own licences. But, besides that aspect, yes, most of them are inspired in Colombia, whose simpler political organization has allowed it to implement its framework without the same complications.

Robin Chhabra: Pedro, you lead LatAm for Playtech, and Playtech have been serving customers in the region for many years. What are the differences in products and customer preferences that you've observed in your time?

Pedro Extremera: Everyone in Europe thinks of LatAm as one main country. It's a big region with different languages and different cultures. Starting from the top in Tijuana, all the way down to the south of Chile, everyone has a different idiosyncrasy.

I'll talk a little bit about my experience with Argentina. There are 23 provinces and 17 of them are regulated so it's really strange and very unusual. It is only in Argentina where the cities have their own regulation and the province has the regulation of Buenos Aires. Buenos Aires has two sets of regulations, one for the city and one for the province, with different products. One allows international liquidity for poker. The other one doesn't. Then there are about seven different types of dollar. There's an official dollar and then there's CCL, Dólar Blue, dollar Qatar, or dollar crypto. The main issue there is that more than 70% of the market is illegal because of all these restrictions. They are trying to work on it but it's extremely difficult.

The bigger players there are BetWarrior, Bplay, Loco Players, and then Betson, Bet365, and now Betano are entering the market. In terms of the Argentinian players, 64% of them play at least once a week, and then 69% of them play once a month.

With regard to Brazil, there have been many issues with KYC facial recognition since the market regulated. There are a lot of Brazilians, 220m people, and unfortunately there are a lot of people who don't know how to read, so it's very difficult for them. That's another reason there's an increased unregulated market there. There are issues with local licences, regional licences, national licences.

There is a big change coming from 1st July in that all the live-dealer providers need to provide the product in the Portuguese language. Again, that will change the landscape. In terms of the marketing restrictions, they're in the process of strengthening marketing restrictions with no influencers, no sports players, and limits on the time they can do their publicity.

The bigger players in Brazil are Betano, 365, Superbet, then Betnacional, Esportes da Sorte and EstrelaBet. Brazilian players are highly engaged with 91% reporting that they play at least once a month and 73% playing once a week.

Chile is a market where they've been talking for many years about regulating but, from the information I have, it will still take a few years. The players paly less frequently: 82% play at least once a month and 53% play at least once a week.

As Camille mentioned, Colombia was one of the first markets to be regulated, nearly 10 years ago. They've introduced a new tax, an additional 19% tax on GGR. It's temporary, but you know what happens in these countries with temporary. Let's see what happens on 31st December! It's a big problem for the operators because 19% hits the bottom line really strongly, so they are all asking suppliers to do something to help them. In terms of the players, 87% of them play once a month and 67% play once a week.

In Mexico, the regulation has not changed. The initial regulation comes from 1948. It's a retail regulation. There have been some adaptations or interpretations of the law, and that's why they've allowed online gaming. There' are no restrictions in terms of games, or international liquidity. The top operators there are Caliente, Codere, Playdoit, Betmexico, and Bet365. I believe there's still some growth possible there.

Peru regulated on 1st January. It's been always a competitive environment from a retail point of view, and now we believe it will be the same for online. There are more than 1,000 slot-machine casinos there and a lot of arcades/betting shops. In the main cities, such as Lima and Arequipa, there is a lot of gaming activity with the main players Apuesta Total, Betsson, Te Apuesto, 365 and DoradoBet.

Cirsa Group acquired 70% of Apuesta Total last year, so that's them wanting to enter the different Latin American markets. They were present, but they wanted to grow. The Peruvians gamble a lot: 92% place bets once a month and 75% once a week.

Paraguay has a small market but the leading company, Apostola, was acquired last year by BetPlay, one of the leading companies in Colombia.

Last but not least, Central America. There's a group of small countries there – Nicaragua, Guatemala, El Salvador, Costa Rica – who have licences more linked to the lottery. You might not know that El Salvador was the first country to accept Bitcoin as an official currency. It has two official currencies, Bitcoin and US dollar. So, El Salvador with President Bukele is trying to change things there.

Robin Chhabra: If you wanted to be a regional player operating in multiple countries, can you offer the same product set or do you have to tailor your offering for different markets?

Pedro Extremera: No, the products need to be tailored to different markets because a player in Chile is not the same as a player in Mexico.

For example, in Mexico itself, the northern part is structured for sports betting. The players are more linked to American sports, even in the type of bets. They don't play the European decimal. They prefer to play the American style. They also play more all-American sports: NFL, NBA, MLS, and MLB. Then, the southern part of Mexico, it's more related to European football and European leagues. That's just in Mexico itself.

We've found that what works are localised products. In Mexico, for example, with our bigger licensees, we have very locally themed products like El Club de la Lucha which is like Fight Club, or mariachis. All different local themes.

What worked really well for us in Brazil with a live dealer, was introducing our products with the Portuguese language. Those were taken really well by the players. We did Roleta Brasileira, Roleta São Paulo. They look for local products, they want local products and they vary depending on the country.

Robin Chhabra: Anna, you and I worked on the NSX transaction and the sale to Flutter. I thought many more dominoes would fall after that, and I expected to see a lot more M&A in Brazil but that hasn't happened. Why do you think that is and what needs to happen to start seeing more momentum of M&A activity in Brazil?

Anna Kutsenko: Yes, we represented NSX providing vendor assistance in relation to their partnership with Flutter where Flutter acquired 56% of the business, management still holds 44%, and Flutter has the right to increase its stake over time. I think I got lucky that it was one of the deals that got signed and then completed last month. Within our global gaming team, we've been involved in a few other processes, and unfortunately, those didn't go ahead or have been put on hold.

There are perfect reasons for that. It's a very complex environment in terms of regulatory tax risks. In my almost 15-year career in deals, I've worked on transactions in various parts of the globe – in Eastern Europe, Russia, CIS countries, APAC and Africa – and, in my view, it was one of the most challenging deals I've ever seen. Flutter and their consultants probably have a similar view.

There are several factors contributing to this. Firstly, regulatory uncertainty. The evolving landscape has made it difficult for investors to assess risks, and operators are hesitant about committing any capital without knowing the rules. Those rules relate to the operational model and risks, cost base, KYC procedures in respect of the existing customers, customer acquisition model. Without knowing what those rules are, it's pretty impossible to make decisions.

Then there is an ongoing Parliamentary inquiry in Brazil. It was launched in November last year ahead of regulations. The Senate Commission is looking into various areas of risks around the Brazilian gambling sector, including illegal gambling, influencer advertising, and grey-market back taxes, a huge topic. I have not seen the findings yet but expectations are that there will be further restrictions in relation to marketing and advertising.

There is also the tax regime and tax landscape. I'm not the best expert on that matter but we're talking about pretty hefty numbers. When we were doing due diligence last year, we didn't have any idea what those taxes might look like. It was just based on estimates, pro forma adjustments in relation to the historical period, and then the forecast: how it would impact profitability of the business.

There are several taxes. There is GGR which is expected to be increased from the existing 12% to 18%. Then there are federal taxes, municipal taxes. There is a potential selective sin tax on services and products in Brazil which are deemed to be harmful for populations, so that could be another one, another layer. In addition, there are obviously corporation tax and social security, so now we are talking about a tax burden of more than 55%, which is quite a significant number.

But the most uncertain point and the most significant risk probably relates to grey-market access and hold-back taxes. If the regulation comes into place, it can have an immediate effect and it may apply retrospectively to as many periods as they want, so it's a big risk. It is a big

consideration for anyone involved in any transaction because it could effectively derail or write off any negotiations early.

Another area of concern is around reorganisation or lack of corporate structure because most of the operators operated offshore and were brought into the country. Now they are in Brazil, so those risks are significant. It can take time, with operational risks and execution risks, making sure that you have everything you need to operate the business in Brazil within the parameters, including all assets, contracts, people, licences, IPs, etc.

Another factor relates to the nature of the local operators. Those are effectively start-up businesses. Most of them didn't even exist a couple of years ago. So, when we were doing due diligence, it was no surprise to us that we would have many challenges and issues around that because there is no historical track record. We were not even talking about audited accounts. Maybe in some instances, they exist, but the quality of financial information was very fragmented. We had lots of data that looked quite messy, which came from different sources, so it was a real challenge.

On the transaction itself, it was a really big deal for Flutter. It's a huge market and they just could not ignore going into that market. Given all the risks associated with regulatory and tax matters, they took a pragmatic approach and a long-term view in terms of what they can achieve with this investment and this partnership. It's very much a partnership based on trust and we experienced that during due diligence; how open both parties were with each other.

Obviously, Flutter is investing in a good management team and local expertise, and some of the contracts were more profitable. For example, the payments deal was pretty good for NSX, and Flutter didn't have similar conditions for their Betfair business in Brazil. So, there were lots of positives but also lots of uncertainties. As I said, it was a very pragmatic approach by Flutter and all advisers involved. We were focused on five or six key issues and trying to make sure that they got comfortable with them. Whenever they were not comfortable, at least there was an explanation of what they could do.

In terms of what can be done to improve the situation, finalisation of the regulatory and tax landscape would help investors to feel more comfortable and confident whilst considering investments in Brazil. Sales-readiness assessment is another critical point. Buyers should be aware that the targets are not M&A ready at all and the process could be complex and challenging. It would also be interesting to see the proof points following the Flutter transaction and their value creation in Brazil, and how much money they will be able to make.

Robin Chhabra: Brazil isn't for the faint-hearted, but if you're willing to stick with it, the prize could be very big. As said, it will take a while to get right, and deals are incredibly tough. One last quick question for each of you: if you had to pick a territory in LatAm, which one would you invest in?

Pedro Extremera: I would go for Mexico because it's a $2bn market but I believe that there's still a lot of growth. The main target is Caliente.

Camille González: If you have a lot of money to spend with lawyers in the next two years, you should go to Brazil. Otherwise, I would recommend Colombia or Peru for the reasons we explained before.

Anna Kutsenko: I'm probably biased because my experience is only in Brazil but I think there are some strong fundamentals in the market. Potentially, long-term, it's a super-attractive opportunity, and if you are bold enough, if you have a lot of money and if you can take a pragmatic and long-term view, that could be the right opportunity for you.

Robin Chhabra: Thank you all very much.

Licensed Gambling – A Tipping Point?

Presentation by Dan Waugh

Partner, Regulus Partners

For a sector where reputation is everything, the gaming industry has been slow to counter challenges to its social impact and is fast moving towards becoming the "new tobacco" argues Dan Waugh, who has for many years charted the increasingly negative attitudes by public health and other bodies to gambling as a pastime. Dubbed the "Eeyore" of the gambling world because of his gloomy predictions, Dan attempted to bring some cheer to his presentation by interspersing it with photos of pop stars and asking the audience to guess the hidden references.

(Dan shows photo of Eminem.)

Eminem – Marshall Mathers. Also known as 'Slim Shady'. Now, as anyone who follows the British market knows, government gambling policy is rarely slim but it's often shady, so will the real government policy please stand up?

The DCMS has notional responsibility for the gambling market. It still cleaves this rather sweet view that gambling policy should seek to balance the freedoms of the vast majority of consumers against the need to protect vulnerable consumers from harm.

The Office for Health Improvement and Disparities (OHID) takes a slightly different view. This is part of the Department of Health in Great Britain, and it says that gambling is actually pretty much the same as tobacco. What it says it wants to do is to regulate the market in the same way that tobacco has been regulated, which eventually leads regulation into non-existence. Does anybody here think that gambling and tobacco are similar activities in terms of health risks?

(Dan shows photo of Cheech & Chong)

These are the legendary thespians, Tommy Chong and Cheech Marin. In 1978, they produced one of the all-time classic stoner comedies, *Up in Smoke*, which I'm told contains the song *Earache My Eye*. Why are they here? Because the trajectory the industry's on is going up in smoke. Just as tobacco is now considered to be an unacceptable pastime, that's what the OHID wants to do to gambling.

If you want to make this case that gambling is the new tobacco, then there are four things you would need to do (slide 1). You need to say that this is a highly addictive activity, that the harms are either widespread or inherent, that it results in heavy costs to the state, and it doesn't really involve any benefits to consumers or to society. A decade ago, these claims would have been considered risible and I wouldn't even be talking about them. Things are changing.

First of all, with regard to high levels of addiction. Last year, the Gambling Commission decided to change the way it collected data on both gambling prevalence and the prevalence of harms in Great Britain. Prior to the

Slide 1

REGULUS PARTNERS

Up in smoke?

Your handy four-step guide to making gambling the 'new tobacco'

Convince policymakers that gambling involves...

1. High levels of addiction
2. Widespread or inherent harms
3. Heavy costs to the state
4. Negligible benefits

publication of what's known as the *Gambling Survey for Great Britain*, rates of problem gambling had been consistently reported as being low. Below 1% of the population. The last health survey we had put it at 0.25% of the population, or about 0.5% of gamblers.

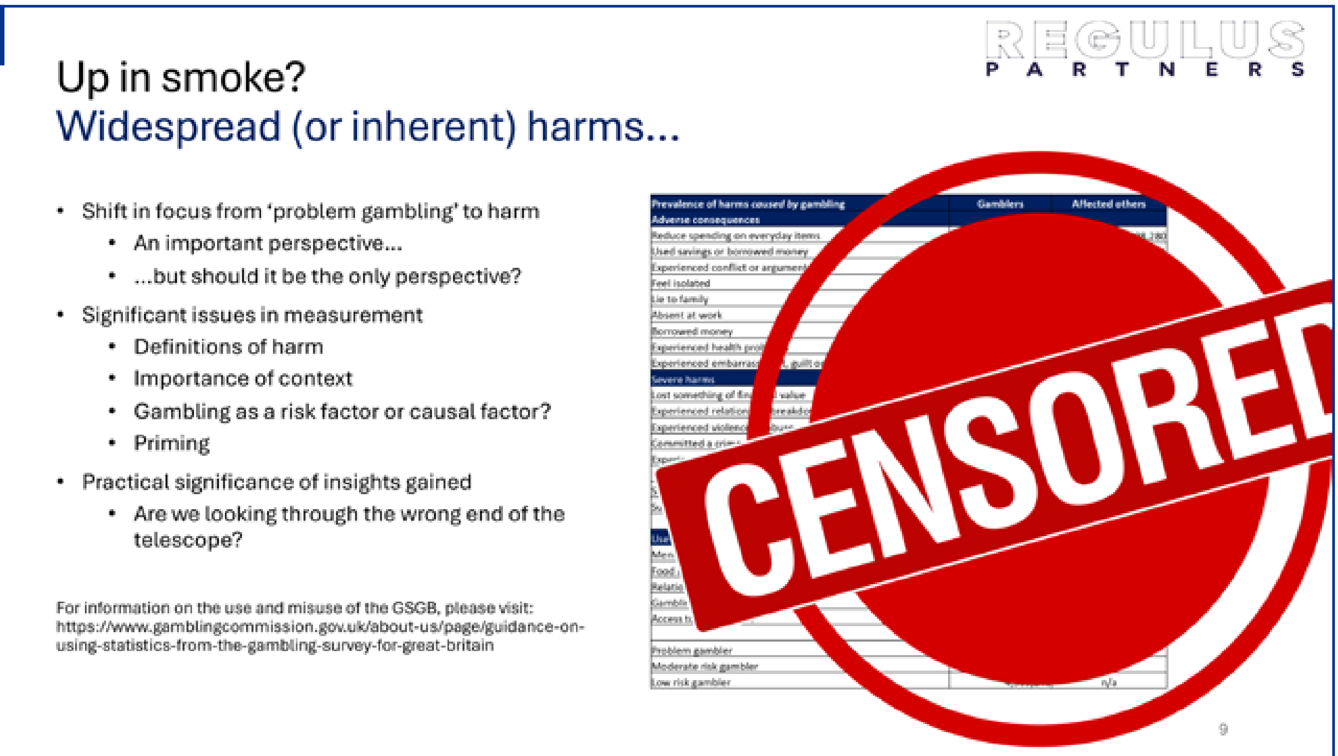
That figure now jumps in the Gambling Commission's new survey to 2.5%. If you shove in 'at risk' as well, you get up to relatively high levels of at-risk or problem gambling. The survey is not good. It's an unreliable survey. The Gambling Commission was warned about this by its Advisory Board for Safer Gambling. It said if it is brought in-house rather than leaving it with the NHS, which is where it's traditionally been studied, people may doubt the reliability of the findings. And so it has proved.

In fact, last month, the Office for Statistics Regulation published its review of the GSGB and said there were some serious issues with it. But this is the way the Gambling Commission wants to report problem gambling rates. It is deliberately choosing to publish results about problem gambling prevalence which it knows are unreliable and which are vastly inflated.

When you look at individual activities, you start to see here why this matters. If you look at things like online casino, about 70% of people in the survey who play online casino are now classified as at risk or problem gambling. This starts to challenge the basic logic of gambling regulation in Britain because if 70% of your customers are either at risk or problem gamblers, the whole idea of permitting the majority to gamble with freedom starts to erode. This is quite important.

On the point of widespread or inherent harms. I've had to censor this slide (slide 2) because the Gambling Commission realises its survey is not particularly reliable. You're not actually allowed to

Slide 2



Slide 3

REGULUS PARTNERS

Up in smoke?
Heavy costs to the state

Year	Organisation	Cost estimate	Benefit estimate
2016	IPPR	£260m - £1,160m	N/a
2021	Public Health England	£1,270m	N/a
2023	Office for Health Improvement and Disparities	£1,050m - £1,770m	N/a
2023	NIESR	£1,400m	£3,500m

- Significant issues of methodology (and basic mathematics) involved in production of estimates
- Correlation as causation
- Consistently described as underestimates
- What happens if the GSGB is used as the basis of calculation?

put the numbers up. But when you look at the harms, you get telephone-type numbers, and we're dealing with things like domestic violence, criminality, use of food banks, and even suicide. These figures are sitting in the UK Data Service archive. Anybody can go and look at them.

These figures will start to filter into the public policy debate and will be used to reinforce the idea that there is no safe level of gambling and that gambling is inherently harmful.

Regarding cost to the state. In the last decade, we've seen numerous reports alleging significant cost to the state from problem gambling (slide 3). These are pretty much all junk science. In the case of Public Health England and the OHID reports, the figures are literally made up. But these are government bodies producing these statistics.

NIESR was actually funded by the Gambling Commission. It estimated £1.4bn of annual costs related to problem gambling – 57% of that cost was predicated on the idea that if you don't gamble, you can be a problem gambler, or if you win £500, you're, by definition, an at-risk gambler. This is utter junk science but it's not being pushed back on, so these are being accepted as the costs of gambling.

When you plug in the *Gambling Survey for Great Britain* prevalence figures into these calculations, they mushroom. You start to get to £5bn costs. Once you do that, you're above the rate of duties and it becomes far easier for the state to say this is not an activity they should be encouraging.

The benefits of gambling are hardly ever discussed. The chart here (slide 4) shows

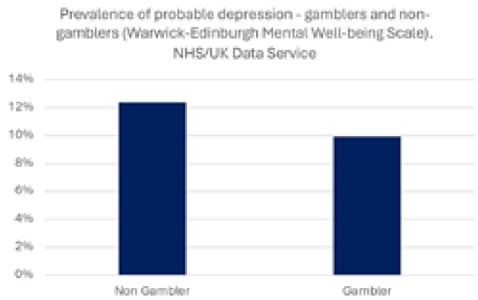
Slide 4

REGULUS PARTNERS

Up in smoke?
Negligible benefits

Research shows that participation in gambling confers benefits on consumers

- Social rewards and community
- Mental stimulation and intellectual challenge
- Mood change
- Mental health and wellbeing
- Consumer surplus



"A full economic evaluation of the gambling industry could be ***slightly awkward politically*** *as it would fund work to identify the benefits of gambling but...feels like the most balanced approach.* ***It's likely that we would be critical of any industry-funded effort to estimate the benefits of the gambling industry."***

Gambling Commission, 2021

levels of depression whether you're a gambler or a non-gambler. I'm not saying this is causal but people who gamble tend to have better mental health and well-being than people who don't gamble. Problem gamblers have very much worse mental health but your recreational gambler tends to be better off in terms of mental health and well-being. As I say, it's not a causal thing, but neither are the costs that are applied to gambling on the same basis causal.

The Gambling Commission has said that we should study the benefits of gambling to the consumer. Then it goes on to say, it would be "slightly awkward politically" and, if the gambling industry produced figures that show the benefits of gambling, "it's likely we would be critical of them." That is how you turn gambling into the new tobacco.

(Dan shows photo of Guns N' Roses.)

In 1987, Guns N' Roses released their legendary LP *Appetite for Destruction*, and that is what we have now within the British state. As of April, we have a new tax called the Statutory Levy where operators are required to fund services for the prevention of harm, research into gambling harms, and also treatment.

Now, there's nothing wrong with that, but it is worth pointing out how unusual this is. Generally, the convention is that the state funds treatment and healthcare and research that it considers valuable out of general taxation. The gambling industry already kicks in about £3.5bn a year in terms of taxation through duties, so the money is there. This is the only health disorder in Britain where a separate tax has been introduced to fund treatment and research. It's possibly, in a competitive field, the worst piece of policy that the Government has come up with.

Firstly, there are some interesting conflicts of interest here. The Gambling Commission sits on the Levy Board Programme. It also runs the Levy Advisory Group. It collects the finances, which is odd because it's not a fiscal agency, and it also intends to take some of the money itself and trouser that for its own research purposes.

You've also got OHID, the guys that don't really like gambling. They sit on the Levy Programme Board under the Department of Health. They also expect to receive roughly £30m a year from the levy, which is interesting because what OHID wants to do is stop people gambling. So, you now have this interesting dynamic embedded in the levy. OHID will receive, we think, £20m to £30m a year and it will use it to try to stop people gambling, which will then mean that less money will flow into the levy pot, which means that there'll be less money for healthcare and less money for the OHID as well.

The bullet points shown (slide 5) are from a paper that OHID published in *The Lancet Public Health* in 2022. These are just some of the things that they want to do to the gambling industry: increase taxes every year above the rate of inflation; ban in-play betting (no reason given; they just want to ban it); ban all marketing and advertising.

My favourite point is that they want plain packaging for all gambling products. If you want to know what that means, you have to go to the appendix where it says, 'No colours, logos or images on any gambling products.' So, if you're in a casino and you want to play blackjack, under OHID there is no Queen of Hearts, there is no Jack of Spades.

The Gambling Commission has said that they plan to get their mitts on some of the cash from the levy as well. The Gambling Commission claims it's not anti-gambling, which is interesting. In the last five years, it has funnelled millions of quasi-public money into anti-gambling activism through organisations like Gambling with Lives and the Association of Directors of Public Health. It's published data, as I've mentioned, on the prevalence of gambling harms that it knows is unreliable and inflated. It's suppressed inconvenient

evidence that doesn't quite fit with its narrative. It has lobbied Treasury for new taxes on gambling and it has promoted anti-gambling views.

If you go to its website, in one click you'll find a link to a document that says, 'We must say that gambling harms are widespread. We must not say that only a minority of people experience harms from gambling.' That's the Gambling Commission. There is documentary evidence behind everything I've just told you. All these things are true.

As for the NHS: we love the NHS but key figures involved in the NHS have actively sought to defund the charities that currently do the lion's share of treatment work for disordered gambling in Britain.

(Dan shows a photo of The Who.)

Some of these references are pretty tenuous, I'll admit! The WHO: The World Health Organisation. A group of researchers published a paper in *The Lancet Public Health* last year, led by the Gambling Commission's Chief Scientific Adviser, and which again made the point that gambling is inherently harmful. They called it an unhealthy commodity industry and they called for a World Health Organisation convention on gambling. They specifically mentioned one similar to the one that we have on tobacco control.

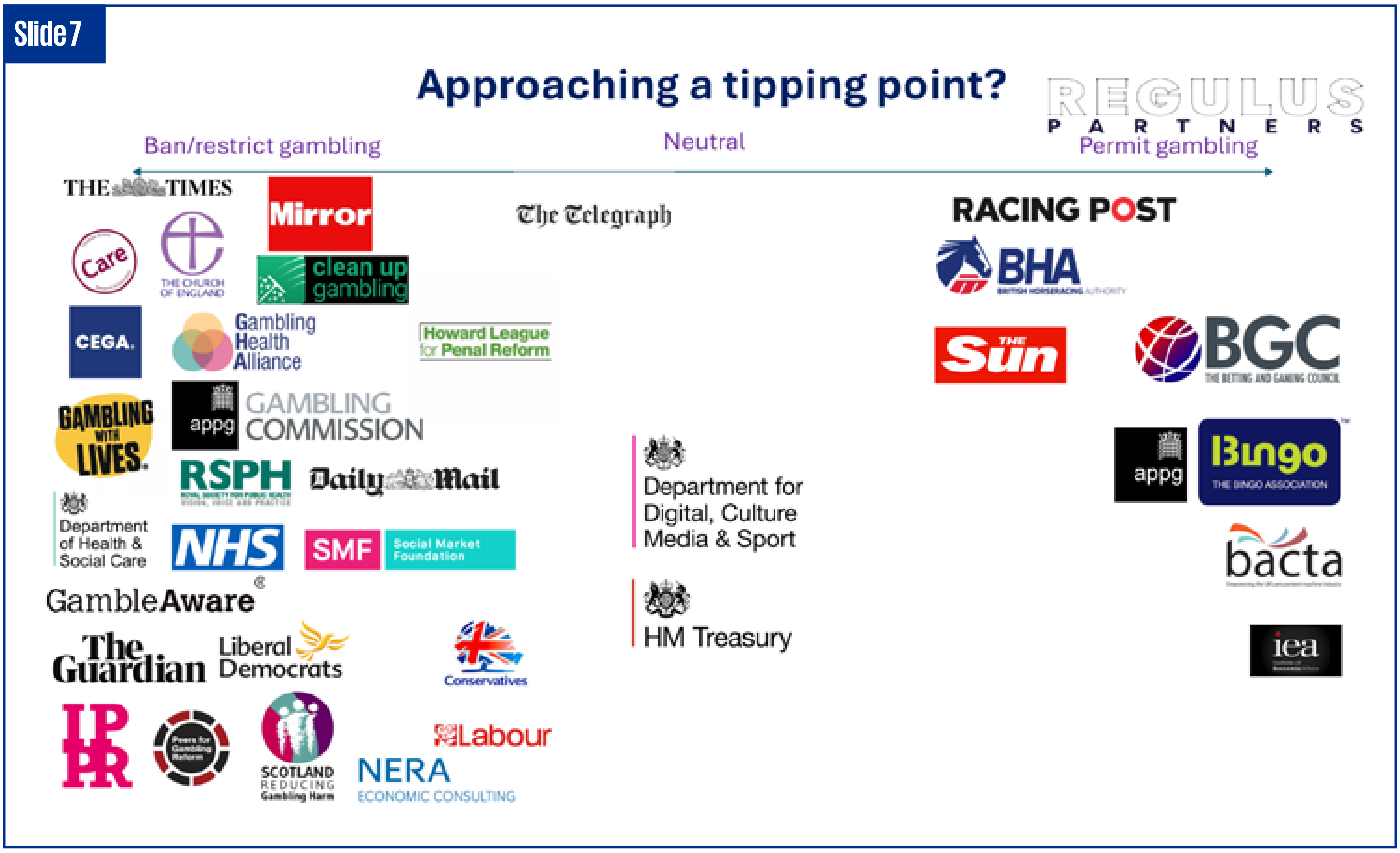
The WHO Convention on Tobacco Control (slide 6) is designed to basically expunge the tobacco industry. One of the critical things here is that the convention says the Government should have nothing to do with the tobacco industry. The Government shouldn't meet with members of the tobacco industry. The tobacco industry shouldn't be allowed in any way to influence policy. That's the point of this convention and why people want to tack it onto gambling because they want to basically cancel the gambling industry, to deny any rights from engagement in policy debate.

(Dan shows photos of The Doors and R.E.M.)

Well, this is *The End*, my beautiful friends, or at least it could be *The End Of The World As We Know It*. Because if the public health lobby succeeds, if OHID succeeds, if, to a certain degree, the Gambling Commission succeeds on its current mission, then things get very bleak. Consumers will see ever-increasing controls on what they're allowed to do and ever-increasing incursions on their privacy and civil rights.

Whether this leads to lower harm or not is an important debatable point. The market will become less visible, banning advertising. Costs will continue to grow, whether it's taxation or whether it's compliance costs, and we will probably see further increases in unlicensed gambling. Licensees can expect to face greater marginalisation and stigma. I know somebody who works in and around the gambling industry who no longer tells people what he does for a living. I know two people who've applied for trusteeships at charities: both have been turned down because of connections with the gambling industry. I know somebody else who now has left the gambling industry, and he's facing discrimination because of what he used to do. He never did anything wrong, he simply worked in the gambling industry. At a very personal level, this stuff's quite important.

I think we'll continue to see the funds available for research directed towards people who don't like gambling very much. There are proposals from *The Lancet Public Health* to say the gambling industry should not be permitted to take part in any research and that nobody should be allowed to conduct research on behalf of the gambling industry.



We are heading to a fairly difficult place. As long as DCMS is in place, I think we have hope but there is a threat that DCMS is disbanded. Where it goes to next is up for debate. OHID has already eroded the Gambling Commission's authority here because OHID will have responsibility for harm prevention.

I expect that's going to take the form of public health campaigns. Rather than things like 'When the Fun Stops, Stop', you'll see much harder, more aggressive public health messaging that's similar to tobacco messaging.

"We're already seeing an organisation called Chapter One – which is related to Gambling with Lives – set up an education programme with the Government's blessing. If you've got kids, expect to see your children coming home and telling you what a bad person you are for working in the gambling industry.

Are we approaching a tipping point? This is an illustrative rather than scientific chart (slide 7) that I first started putting together about seven or eight years ago to see where organisations sit on the spectrum of permitting or banning or restricting gambling. Over the years, the number of logos that have gone on the left-hand side of the screen has grown, and the ones on the right-hand side of the screen have somewhat diminished.

The reason I refer to this as a tipping point is that we live in an age of virtue signalling. We live in an age where social media is highly influential. The problems of the world are generally quite complex, but we like easy solutions and we like to take sides because that shows that we're good people.

I think we're approaching a tipping point where it will just become the reflex response to say, 'No, gambling is a terrible thing. It shouldn't be permitted. People should be discouraged from doing it.' In the same way that has happened with tobacco. You will see more organisations slide into that left-hand corner. In fact, I would arguably say the Treasury has already shifted, as we're seeing from the latest consultation on duty, which is possibly the worst consultation I've ever seen from the Treasury, who are normally quite good at these things. My fear is that we're approaching a tipping point beyond which it becomes almost irretrievable for the gambling industry in Britain.

(Dan shows a photo of D:Ream)

Things can only get better? Maybe.

"My principal reason for taking that view is that I don't think the industry could have done a worse job in the last 10 years of managing regulatory risk. There is a different way and, if the industry grasps the opportunity, things may get better. I think they call it a vibe shift. Perhaps we're less tolerant of some of the nonsense that's been peddled in society in the last five years or so. A lot of the critical social justice stuff is being pushed back, so there is maybe an opportunity here, but it requires a different approach.

First of all, it requires an acceptance that the industry is in a pretty perilous place. Until the industry can accept that, it won't be able to do anything about it. If you don't acknowledge there's a problem, you cannot solve the problem. At the moment, I'm still not convinced that the industry really gets just how difficult its position is.

It should focus on its customers. A lot of the time, the debates around policy, around taxes and jobs are relatively unimportant. Even the black market. It should focus on the interest of its customers. It should stand up for the rights of its customers to be treated with respect in regulation.

It needs to face up to difficult subjects. Going back to an earlier slide: domestic violence, criminality, poverty, even self-harm. These are complex issues. They're really tough. There is some germ of truth. People with gambling disorder are at greater risk of all these things.

These are horrible subjects and we don't want to talk about them. But I'll say this: if you are told, as the industry has been since 2021, that you are killing 500 of your customers every year, and if your response to that is indifference, then, first of all, you don't care about harm prevention. If you're not even prepared to talk about these difficult subjects like self-harm, you don't care about harm prevention. Secondly, you don't deserve to be in business.

If you can face up to these difficult subjects, then I think there's an opportunity. The lies that are being told about the gambling industry must be confronted, and if you can do that, then there's an opportunity to build trust. There's an opportunity to build coalitions to find other parts of the economy that are facing similar problems because public health isn't just after gambling; it's after lots of parts of the economy that it would like to cancel.

If you can do that, then you can start to engage from increasing positions of strength. This is serious, it's hard work, and the industry really needs to wake up and start to do things differently, because otherwise, I probably won't be here in a couple of years' time because you probably won't be having this conference in a few years' time. That is the situation the industry faces.

Question from delegate: *You mentioned the industry dealing with difficult subjects and you've penned some articles on the issue of gambling-related suicide.*

We've got organisations like Gambling with Lives who are run by the parents of a young man who died allegedly from gambling-related suicide, of causation with gambling. Until probably four or five years ago, coroners didn't record any gambling-related suicides in their statistics. The gambling-related figure, as I understand it, of 500 people
a year is based on a flawed study which has been extrapolated.

The problem you have, if you're in the industry, if you're a regulator or an operator, is engaging with people who are in a highly emotional state, who the media and politicians are more likely than not to believe. Suicide is a very complex thing. The person who committed suicide was probably subject to lots of comorbidities: drinking, drugs, mental health issues. Gambling may have been one of the symptoms, possibly not even the causes of other co-morbidities. How do you deal with that in the media and political space when plainly a lot of what is being said is wrong?

Dan Waugh: This brings us back to the point that these are difficult things. I would say, first of all, you take an interest. Probably about seven or eight years ago, I wrote to somebody who was involved in a fairly senior leadership position in the industry. I said, 'Let me come and talk to you about self-harm because it's going to be an issue,' and this person said, 'I don't talk about suicide.'

This is the problem. If you're not even prepared to talk privately about these things, if you're not taking an interest in them, then you're screwed because then you can never talk publicly. I would say, first of all, recognise it's an issue. If you're a gambling operator, some of your customers are at an elevated risk of self-harm, and that may or may not be because of their gambling but you have an opportunity to do something good here.

Take an interest in the real issue; understand the complexity of the subject. From there, you can start to think about what we could do that might reduce risk. Engage with third-party organisations that are in this space. Samaritans won't talk to the gambling industry, but there are lots of self-harm-prevention charities out there that will so go and talk to them. Build your knowledge. Build your expertise. Start to do some good things. Two things will happen. People will then say good things about you. You will start to get some advocacy. But, secondly, you'll understand it better. It is an incredibly complex subject because the term 'harms related to gambling' is really quite a subjective thing. But if you can understand it, then you can speak with confidence and authority on these issues. Not to the press but you can talk to government about these things. You can talk to harm-prevention charities about these things.

Over time, you will arrive at a position of greater strength because if you don't understand the subject matter, then you have no chance of addressing it, and you also have no chance to be in the conversation. The gambling industry has deliberately said, 'We're not going to be in this conversation,' which I think has been an absolute disaster. It's difficult but it starts off by recognising there's a real issue here and we should do something about it. Only by doing something about the real issue can you ever hope to challenge the fabrication.

Is ESG Sustainable?

Moderator: Russel Mifsud

Director & Head of Gaming Europe, KPMG

Panellists:

Lauren Iannaroni
Chief Sustainability & Corporate Affairs Officer, Playtech

Katrina Isola
Senior Associate, ISOLAS

Sarah Powell
Director of ESG & Treasury, Rank

Ty Smith
Founder, Carn Advisory

Ben Wright
Director of ESG & Sustainability, evoke

Whilst responsible gambling has long been an important theme for the eGaming community, the move to adopt a more rounded environmental, social and governance approach has brought additional factors into play. Moderated by KPMG's Russell Mifsud, this session sought to explore how different businesses are implementing ESG policies and initiatives, the benefits of these, and whether they are themselves sustainable.

Russell Mifsud: Let's start with where ESG sits in your business. Is it at the core of your strategy, or more of a compliance requirement, or brand enhancer? Where does ESG sit as part of your mission statement?

Ben Wright: ESG is a core part of our strategy. Anyone who's seen our strategic framework will notice the statement in the middle, which is that one of our ambitions is to be famous for doing the right thing. For an ESG person, that's great ammunition to have delivering a strategy. We have six strategic initiatives. ESG is one of them, which has really enabled us to supercharge our strategy.

Sarah Powell: This is always something I struggle with: ESG is so wide-ranging, and it hits everything. I sit on the executive team at Rank so I lead it but it's not for me to own our people strategy, it's not for me to own safer gambling. I'm there just to poke a few people who need to be doing more of the best practice.

Just looking at the annual reporting, safer gambling has been at the core of everything that Rank has done for the 171/2 years I have been there. It doesn't matter which way you look at it, whether it be reporting, whether it be doing the right thing by your customers or your colleagues, or more recently the environment, which hasn't necessarily been top of our agenda in the past, but is coming up through government requirements. So, it's all-touching, and goes into every different crevice.

Russell Mifsud: That's a good point. When you're looking at ESG from an internal micro standpoint, it's a joint effort because it touches upon so many different teams, and you need to have that buy-in from each of them. But then, from more of a macro perspective and looking at the ecosystem in which you're operating, you've got your regulators, suppliers, partners, customers, employees, capital markets, and media. Each one plays a key role, because you're not operating in a vacuum.

Katrina Isola: I couldn't agree more. You mentioned compliance, you mentioned brand enhancement, and sitting at the core within business strategy. I think it's all three. We've worked hard to ensure that it's embedded within our culture, and it's more than just a compliance tick-boxing exercise.

We have clients who are asking us not only for advice on ESG but also who want to work with like-minded companies and like-minded people. So, it's of prime importance, and if it's embedded in the core of one's business strategy, other benefits like brand enhancement will naturally follow.

Ty Smith: We set up Carn Advisory earlier this year, based on 17 years in the gambling industry, and sustainability is one of the elements that's core to our identity. A bit like ISOLAS here, we advise clients on sustainability. So, in that regard, for us, it's a product vertical, so yes, it's important.

Lauren Iannarone: Similar to what everyone has already said, sustainability is an ethos and an enabler for delivering our strategy, growing our business, as well as safeguarding it. Also, a lens for decision-making across the business and across our strategic objectives.

Russell Mifsud: It's sometimes quite hard to measure the direct benefits that extend from having a sustainable strategy, at least in the short- and medium-term. Sarah, are you seeing ESG deliver real impact in your organisation, or is it more well-intentioned documentation?

Sarah Powell: Coming from an IR background, that requirement around reporting is literally just an extension of annual reporting. It's not something completely brand new. The benefit comes

out of places you didn't expect it to. We understand the benefits of safer gambling and why it's so important but, certainly from a B2C perspective, we all look after our colleagues, our communities, our environment and our customers. Those are our four key areas when it comes to an ESG perspective.

The environment piece has been something that's been at the bottom of the to-do list but, because of requirements put on us, we've had to look at our emissions and all that good stuff. We're looking at solar on our venues and, if we invest today, we could have free electricity for our venue businesses within five years, these are real financial impacts and benefits that we wouldn't have looked at if it wasn't for the current momentum around ESG generally.

We have a board sub-committee that was always, historically, on safer gambling. We've extended it now so it's ESG and safer gambling. Prominence is still very much on safer gambling, for obvious reasons. We've had discussions about KPIs: we are a business that is very much brand- and channel-led, and the dynamics for each of those different business units is unique to them. Whereas, when we have to look at it from a group perspective sometimes, from a safer gambling perspective, we have to work out how can we show that we're doing the right things when it comes to looking after our customers. So, it's about getting out of the weeds a little bit and trying to bring it up a level. Part of my responsibility is to communicate that to our board, and then through the annual report. So, it helps you focus your mind on the right areas as well.

Russell Mifsud: That ties in, then, to your overarching strategy of where you'd like to be. When we speak to a lot of groups, particularly smaller ones, about ESG, some of them may be intrigued by the concept of it but feel as though they're not doing anything. But, when you start to dig down deeper, there's a lot that's being done. This is one of the issues the industry has; it's not good at vocalising some of the good things that it's doing. How do you measure it? Because even if we're looking at one of the core aspects, RG, it's very difficult to measure one operator's RG strategy versus that of another. It's apples and pears. So, it's important, like Sarah says, to be able to find a way identify and measure, manage and then report. ESG is a journey. It's not necessarily always a rosy picture but it's the journey that comes with it.

Ty Smith: On that point of those who think they're not doing a lot; most will already be doing stuff. They're just not thinking about it in that context.

One of the things that I'm particularly done with at the moment is the consistent moral arguments for this stuff. You should be doing this because it's good for your business, and if you can't demonstrate that it's good for your business, then you're not doing the right things.

The point is that – like Couch to 5K – anything you are doing, any activity, is good. Don't think that you have to strive for perfection. It's not the case at all because it is a journey and that's particularly pertinent for those small- and medium-sized enterprises.

Russell Mifsud: How would you go about measuring that success, though? For an operator undergoing a particular strategy and working towards that ambition? Is there a way to be able to identify how successful those efforts or endeavours have been?

Ty Smith: The starting point is thinking about where you are – and the information and the data that you do have available – and then thinking about what's important to your organisation. Don't pick up somebody else's strategy and say, 'That's what we're going to do.' It's got to be fit for your purpose.

The company that I worked at previously – I was head of ESG for the last three years for Games Global – created a strategy that was appropriate to that business. It was about asking what we were trying to get out of it. What are you trying to achieve? How do you want ESG, or sustainability, to benefit your business?

Some of the key things that we looked at being key included the retention and attraction of talent. When your approach to sustainability is built around that being a core part of what you do, you start getting into social interactions about, 'Are we doing enough on education? Are we doing enough in terms of actual diversity? Are we then able to communicate that?' It sounds really hard, but it's not, once you get started. And that's the point: get started.

Russell Mifsud: Ben, evoke has had a wide array of different initiatives from an ESG strategy, including your charitable initiatives on ALS. Have you observed the tangible benefits in internal culture, stakeholder engagement, or customer trust linked to these ESG initiatives?

Ben Wright: Yes, the main benefit for us has been on the colleague engagement point. evoke is, essentially, a new business, the result of two businesses coming together. That comes with transition and a bit of organisational pain, but through things like ESG and what we've done in the last year or so, I'm proud of the team and everyone that's been involved. We've given colleagues some really great moments and opportunities to get involved.

My team is a really small function and, as Sarah said, you've got loads of different things to do, and lots of hats to wear, but with our strategy we'll be able to get the SMEs involved in certain areas. In retail, for example, we have 1100 shops in the UK. I don't know anything about retail but we've been able to learn from the experts and channel how can we improve our retail stores as a result of that because they are old and slightly inefficient, you could say. Just giving colleagues that platform to feel ownership of a strategy, that it's not just being done to them.

ESG will always fail if you're an ivory tower at the side of the organisation shouting at someone about how you've got to do better – make gambling safer, make less emissions – and that's all your input. You won't be able to deliver any form of strategic change doing that. So, I've become slightly annoying at work, saying to the ExCo and the board, 'ESG is not just my responsibility; it's everybody's responsibility.' We're trying to drive that forward.

Russell Mifsud: That makes sense. We've seen time and time again that it needs to be lived and breathed by the organisation. If we were to throw some stats into it: Gen Zs and Millennials make up about 4bn, about 47% of the population. The expectations of Gen Zs are different – 75% or 76% of them tend to value sustainability over that of brand. As organisations grow, these factors will need to be taken into consideration because these Gen Zs and eventually Gen Alpha will be featuring within your stakeholder map.

Ben Wright: Yes, and that's about talent attraction and retention, isn't it? To Dan Waugh' point before, when he was talking about people being embarrassed about working in the gambling industry, if things continue to go that way, it's going to be hard. But through having strategies and plans like this, I believe you can change that narrative.

Katrina Isola: You can also see that across other sectors. In the investment and banking industry, you've got the next gen in wealth generation choosing portfolios and investment advisers on the basis of their ESG practices and looking beyond the whole tick-boxing exercise. They are really looking into the depths of those ESG practices and choosing on the basis of that.

Russell Mifsud: It's super-relevant. When we look at ESG today, we're looking at it where it poses itself as a competitive advantage. There's a carrot in play but, eventually, there will be more of a stick, whether it's a direct one linked to regulatory failures, or expectations then from the wider stakeholders and culture.

Lauren, can you talk us through some of the tangible strategic benefits that your company has experienced through ESG investment, such as potentially improved access to capital, or if you're doing M&A work, for instance?

Lauren Iannarone: There are four key areas where we're seeing strategic benefits since starting on this journey. The first one is around innovation and new product development. So back in 2017, we were looking at tackling our most material social issue in the ESG space – safer gambling and player protection.

Being one of the largest suppliers – and a technology supplier – to the industry, we were looking at this through how we use technology to advance player protection. We invested in a company called BetBuddy, which is a machine-learning AI-driven platform to identify at-risk behaviour. Since investing in that, not just in the technology, but also in partnerships with academics and other institutions and the industry, we've grown that business, and now it's a core part of our service offering. Not just something that's a nice initiative sitting in compliance but an actual product and service that we offer.

We have grown that business with 23 brands in 14 jurisdictions around the world, and that's a revenue-generating product. So that's an area where you can see where a strategic approach can grow from an initiative to becoming a core service offering.

Other areas are around operational and cost efficiencies. When we talk about technology, we are always looking at how we improve the efficiency of where we invest considering the growing capacity for our needs, especially in data centres and infrastructure. We've seen a benefit in looking at this holistically. Not just looking at reliability and the quality of your data centres and your infra, but also how you reduce costs. Part of that is looking at the environmental elements. What we've seen is, even our technology and infra teams are leading the way from an employee-interest perspective because it also makes good business sense to think about efficiency and reliability, as well as environmental impacts.

The third area is around safeguarding our licence to operate and just being at the table. Again, as a supplier to the industry, we see more of our licensees and our customers demanding as table stakes, maybe for an RFP or for getting renewal of business, that you've got robust environmental and social and governance elements in place. And this is just to do business. There is a real increase in demand not just from investors, or reporting dictated by the public markets, but also from our own customers.

Finally, partnerships. Another area of strategic benefit is the ability to scale positive impact through partnership and collaboration. One of the things that we've done as a core part of how we deliver on our sustainability strategy is through partnerships, whether its charities, academic institutions, etc. That gives us the ability to pull skills capabilities and resources, including financial, to gather intelligence but also to drive real impact in the communities. One of our key five-year initiatives has been around driving digital resilience and wellbeing, and we partnered with 13 organisations over the past five years, reaching over 680,000 people through those programmes.

In terms of measuring the benefit across these four areas, we're very focused on that, and it's supported by the overall scorecard that we publish – and that guides our board, as well, in assessing our corporate performance.

"

Russell Mifsud: A lot of groups tend to factor in carbon footprint, diversity and RG as the three core aspect of ESG strategy but R&D and innovation is a key factor in how you could be leveraging that for the benefit of stakeholders. We had some stats as KPMG where we found that sustainable-driven businesses could enjoy a reduction of two-to-five basis points when it comes down to debt financing. The same can be said from an M&A standpoint, where we found that there was an increase on the EBIT multiple – 14% higher – when you're purchasing a business, or selling a business that is considered to be sustainable and strong on that front.

Thinking about other industries outside the gambling sphere: if we look at Patagonia, for instance, that pledges a donation of either 10% of profits or 1% of revenue to specific causes that are tied to their overarching strategy and customer base. The increased loyalty level with their customer base is tremendous and, also when it comes to attracting and retaining talent, my understanding is that the turnover is significantly lower of staff compared to the average in the US. So, there are some key drivers that underline the value that comes from an effective ESG strategy.

Ty Smith: That's a good point and it speaks to the notion that there's got to be value in this for the business, and not in any way, shape or form to be embarrassed or ashamed of that, or to try and dumb it down or talk it down. A key part of why you're doing this is to extrapolate value.

Lauren has a perfect example there of a commercial opportunity being available on the table, which is absolutely linked to a social issue around responsible gambling, but the business is doing incredibly well out of it. You've turned that into a whole revenue arm. That's the poster child of ESG in the gaming industry. Spot the opportunity, do something about it, and there is literally no downside to that at all.

Lauren Iannarone: Russell mentioned other sectors, and taking a chapter out of the alcohol sector, as well as the pharma sector, is quite interesting. Some of the things that they do well are things that our sector could think about. The pharma sector, in particular, has looked at new business models.

One of the big challenges in the healthcare system is around how you increase access to medicine for very poor communities in emerging markets. Companies like GSK have looked at Africa, for instance, and said we're going to completely change our business model, so rather than going for a profit, or a margin-based business model, we're going to go for a volume-based business model. That enables them to get more medicine to more people at a lower cost and is an interesting example of how a company can look completely differently at their business model to drive value and profit but also for social benefit.

The alcohol sector is interesting because you see the concerns around the health impacts of alcohol – drunk driving, domestic violence, and other issues – and businesses looking to see how they get ahead of the regulatory game. Well, look at the growth of 0% alcohol beer. They created an entire new category, and most have been successful around integrating social elements into their brand and marketing as well.

Russell Mifsud: That's a key example. If we look at Diageo, for instance, their ESG rating is the golden star. From what I understand, even prior to them rolling out all the zero alcohol, the industry is very good at coming together and singing from the same hymn book. That's something that the gambling industry isn't as good at. There's a lot of game theory with everyone keeping their cards quite close to their chest. That brings us back to why ESG is that potential opportunity to collectively come together and shout out about the great things that the industry is doing.

Ben Wright: One thing I've noticed since I became an ESG person is the collaboration that goes on and how open people are. Don't get me wrong; there is a commercial edge to it, particularly on the cost side, but everyone is very open about the things they're doing, and willing to help each other, which is fantastic. I was a commercial person for most of my career, where you extract information from people, and don't give them anything in return, but now we're in a different world. I know our industry can definitely do better but we've had some good examples recently.

Russell Mifsud: Ben and Sarah, how has ESG played a role in talent attraction or retention at your organisations?

Ben Wright: At the moment, it's quite hard to know. evoke is new and there's a lot of change going on. It's something that we will track longer term. We look at colleague sentiment through a tool called Peakon, which a number of bigger businesses use, and I am confident that it is a measurable for us.

We're looking at our employee value proposition at the moment. Selfishly, I think ESG should be a big part of that, and I'm confident I'll win that argument because it is a net benefit. We can showcase that we are a business that wants to work in what some consider a taboo field but we want to do the right thing. That's really important.

Sarah Powell: It also goes a little bit further: anybody who's gone through the pain of doing a double materiality assessment will understand you have to go beyond just your colleagues. For the first time ever, we've surveyed our customers from an ESG perspective. We're having conversations that we wouldn't have had before if it hadn't been for what's coming down the line. And you do get unexpected insights.

This is something that by some kind of osmosis seeps into everybody's skin, unconsciously. It will become the norm for anybody coming into one of our venues, or wanting to apply to come and work for Rank. It's just good business.

Measuring your employee engagement isn't a new concept: you don't want to drill down too much into specifics because I don't think you can isolate individual initiatives, but as long as you keep doing the good stuff and measuring engagement, whether it be for customers or colleagues, then hopefully we're doing the right thing.

Russell Mifsud: Agreed, the expectation is there. KPMG has carried out a couple of studies. One on players in the US and the UK, found that 49% of players would be more willing to play with an operator that is considered to be sustainably strong, and then 64% of those people had no idea what those operators were specifically doing. That reinforces the need to be more vocal about it.

On the talent front, we found – and this wasn't just true to the gambling sphere - that people were more willing to work with businesses, and willing to take a 5% reduction on salaries, if the business that they were working for was considered to be sustainable. That's particularly interesting when we're hiring the specialists from other industries that are needed today. You've got to convince those people who are on the fence about gambling to join your business.

How can ESG practices help enhance brand loyalty or build deeper customer trust?

Sarah Powell: It probably isn't so relevant for a lot of people in the room but venues are a big part of our business. We've always had a charitable partnership in our Mecca Bingo business. It's a community business, and our colleagues in our venues are probably more loyal to our customers than they are to the business!

Our customers want to know that they can do a raffle; they want to know that the Carers Trust is our charity partner at the moment. A high proportion of our customers are probably carers so it completely resonates, and again, it's an expectation. Every time you walk into a Mecca venue in the UK, there will be some kind of raffle going on over the side. It's just part of that community and it's invaluable. More so in some part of our business than others, and we appreciate that: you have to tailor it accordingly but it adds real value.

Russell Mifsud: A quick question for Ty: in your time at Games Global, did you find that ESG served as a catalyst for innovation within the business model, and potentially the types of games that were being developed?

Ty Smith: Yes, we had lots of really interesting discussions about where the core product sat within ESG. If you think about Games Global, it's a number of games studios. So, if you start thinking about the social implications and what that type of company might be interested in, you start thinking about what are the types of games we're producing, what are some of the key challenges in our industry, and are those games unintentionally going into certain problematic areas? I think, probably, we all know what we're talking about there, right? That was a particularly interesting conversation, and I don't know where it's up to now but that was one specific area we were looking at.

What became very clear was that once you opened up these conversations, you

start finding that your staff begin coming up with ideas, and coming up with initiatives, and things that they want to implement within the business, and that fuels that conversation further.

There was a great quote from the #WeAllWantToPlay session yesterday that 'great ideas don't come from the middle, they come from the sides and at the fringes.' That's what you start to find out. As soon as you open up these conversations, people will be thinking 'what can we do about this?' So, when you get your game development team thinking in a certain way, then it prompts interesting conversations. When your marketing team start to think about what sustainability practically means to them, it can prompt really interesting conversations such as thinking about stand design in terms of recyclability, and longer-term use.

It really does start to cascade and it's just getting that conversation started. Don't wait for the perfect opportunity, because it won't arrive.

Russell Mifsud: Looking at the DEI side of things, there was a study by McKinsey that found that those companies having a diverse board, or executive team, comprised of at least 30% women, outperformed companies that didn't have that by 39%. I think that also features quite strongly from a games-development standpoint and plugging in that overarching view as a collective.

Ty Smith: Absolutely, it's about that point of 'what do we actually mean when we're talking about diversity?'. We've got so focused on this notion of it's gender-based, or it's ethnicity-based, and it goes way beyond that. As we discussed yesterday, you have to start thinking about personal backgrounds. Do all of my senior leadership happen to share the same educational background? Do they all come from a similar area of the country?

It goes way beyond that and, ultimately, if we start to tap into some of those notions of Matthew Syed and the whole principle of Rebel Ideas, you'll find those 'rebel ideas' come from diverse people in inclusive spaces. That's when you start to unlock the value creation, and the 20%-30% that you're talking about in the return on investment.

Russell Mifsud: Katrina, given the wealth of regulation and considerations even from a double materiality assessment, do you think that there is a risk of ESG becoming unsustainable due to regulatory overload?

Katrina Isola: Regulatory compliance cannot be overlooked but that we should be moving beyond that. It's probably worth mentioning that, in Gibraltar, we don't have as much regulation as you do in the UK or EU, so we're not as regulatory overburdened as other jurisdictions. But I do know that a popular topic at the moment is concern around inconsistent standard with respect to ESG, and the ambiguity of the same.

This means it's adding burdens for businesses, because you're having to do more compliance, and more administrative work, and this increases costs. Unfortunately, that is causing a bit of a disconnect between businesses and enforcing those ESG practices but, as we've been trying to emphasise here, it's about moving beyond that, and tackling those burdens and overcoming stakeholder fatigue, because the long-term benefits will outweigh the burden.

That's shown by various statistics – I don't think I mentioned when I was talking about the next gen earlier that more than 58% are choosing portfolios on that basis. So, yes, there's a risk of overburden of regulation, especially in the EU and the UK at the moment, but it's about overcoming that for long-term success and value.

Russell Mifsud: Lauren, we've touched upon needing to have different teams, and ESG lived and breathed as part of the culture but, in your experience, who should own ESG within an organisation?

Lauren Iannarone: My mantra is that I'm trying to work my way out of a job!

While sustainability is a functional lead, essentially we're a catalyst and coordinator with accountability embedded across the business. We've got a board committee that has a role of validating and challenging our strategy and overseeing our performance and progress. We've also set up cross-business, cross-functional forums on topics like climate and environment, community, and looking at supply chain, so that we're bringing in and co-creating our strategic approach with our colleagues.

They are responsible for the execution but the key is building capacity and capabilities within the functions, be it finance, HR, supply chain and procurement.

Finance is one of our best friends these days because of the reliance on data. It's now a show-me, not a tell-me world. So yes, we need to talk more but it's about showing action, what you're doing. That requires the entire organisation to rally behind you. It's a challenge, it's a journey, but something that's critical to the success.

Russell Mifsud: Yes, agreed. Final question. If we were to fast-forward to 2030, what ESG practices or expectations do you think will endure across stakeholders if you were to say one key theme from each of you?

Katrina Isola: It would be ESG practices are embedded within the culture and driven by clear regulations – and also driven by investors, or the requirements of investors, particularly in the gaming industry and not necessarily gamblers. Three key points would be the standard lowering carbon emission footprints, employee wellbeing, and clear ESG reporting.

Sarah Powell: Reporting, you just need it to settle. We need to get everyone used to it, whether you're doing the assurance or whether you're actually preparing the reports. We're all learning a little bit at the moment, so hopefully that will settle, embed, and become a little bit more BAU, like year-end audits.

The other thing from a target perspective is emissions. By 2030, hopefully, we've nearly got rid of most of our Scope 1 and Scope 2 emissions. Beyond that, from a social perspective, it's very much safer gambling and colleagues. That isn't new, and we will continue to improve but certainly the reporting will be the biggest change, and will make our lives a bit easier in a few years' time.

Lauren Iannarone: I agree, and just to add a different twist as a technology supplier, responsible tech and responsible AI is already a hot topic but there is a lot to learn from a regulatory perspective and also in terms of what that means for the industry as to how we use and apply all forms of AI. It will be a key topic, alongside climate and human rights.

Russell Mifsud: Agreed. The industry has a unique opportunity, and perhaps even a profound responsibility, to lead with purpose and innovate with integrity, and to operate, of course, with transparency. Thank you to the panel.

The Operator Panel

Moderator: Justin Cosnett

Chief Product Officer, Continent 8 Technologies

Panellists:

Neil Banbury
Chief Commercial & Marketing Officer, FDJ United

Ciara Nic Liam
Managing Director – Gaming, Entain

Kane Purdy
Managing Director, Bally's Interactive UK

Jo Whittaker
Chief Executive Officer, Betfred

Per Widerström
Chief Executive Officer, evoke

The last session of the KPMG Gibraltar eSummit is traditionally given over to a panel discussion of eGaming operators with those in the hot seats at some of the industry's biggest names reflecting on the past year as well as the challenges and opportunities ahead. This year's panel touched first on Gibraltar-specific developments, including the news on the UK-EU treaty regarding Gibraltar, before moving on to consider approaches to cybersecurity, AI, regulatory pressures, collaborative working and further potential M&A.

Justin Cosnett: We'll start off with a Gibraltar perspective. Could you please tell us what is the single biggest challenge or opportunity for your business coming from the emerging regulatory or Gibraltar developments?

Ciara Nic Liam: Entain is a huge employer in Gibraltar. It's a really important location for us, not just from a regulatory perspective, and certainly not just from a VAT perspective either but for access to talent. For us, a lot of the news that's coming out with the treaty means access to stronger talent and being able to attract people to the area as well, bringing people out from the UK and from other international jurisdictions. With our investment in our new upcoming offices, we are committed to Gibraltar and it's definitely a very important region for us.

Justin Cosnett: Per, what are the emerging developments – either Gibraltar-related or regulatory – affecting you the most?

Per Widerström: From evoke's perspective, it's all about making sure we have sustainable, profitable growth and trying to generate value for the shareholders. One of the pre-requisites for that is being in a sector with a level playing field; where we have a regulatory and a tax context that is fair, balanced, and reasonable.

The overall challenge, from our perspective as a multi-jurisdiction operator, is how do we make sure that, with increasing demand when it comes to player safety measures that we very much support, and our focus and our commitment when it comes to being regulated and compliant, we do not drive our great customers to the black market. It's a challenge for the sector.

It comes back to having a level playing field; being fair, being reasonable. When we have these important player safety measures coming into play, how do we, in a flawless, frictionless way, integrate that when it comes to our customers? What we do not want to see – and which we are seeing now in the UK, for example – is £2.7bn in stakes when it comes to illegal operators. That is completely unacceptable.

We are absolutely committed to Gibraltar. We have been here for many years and will be for many years to come. We have a big operation here. It has been a real eventful 24 hours and the talk of the town. There is great positivity in our office when it comes to our great colleagues that are crossing the border every day. So, I'm looking forward to seeing the specifics but net-net it is very positive.

Julian Cosnett: Neil, what about yourself and your business, Kindred?

Neil Banbury: Kindred is now the online division of FDJ United and, for us, it's fantastic news locally here in Gibraltar. It's exciting to think about that giving us the base to see Gibraltar's role within a big international, multijurisdictional group growing and taking on more importance.

Just lifting the lid on what Per said, one of the things that's quite interesting at the moment is how, with a business that is in multiple countries, with multiple brands, selling multiple products, technology is allowing us to talk to our customers and serve great products in a really effective and efficient way. But the reality is that, across all those markets, we're dealing with very different interpretations of how to deliver from a safer gambling perspective and what the regulations are.

Are we talking about deposits, or net deposits? The speed of play? There are so many different things. It's not the case necessarily that you would want everything to be standardised, because you want smart regulation that is appropriate to the territory. But there is an increasing challenge for multinational operators who want to deliver great service, great products and great experience to customers, and do so in an international setting, where there are so many differences in the regulatory frameworks that we're working with.

It's an increasing trend, and it's a big challenge. But with challenge comes some opportunity as well.

Jo Whittaker: It's fantastic news for Gibraltar, it brings certainty. We love being in Gibraltar. We love having a regulator that we can have an open dialogue and an honest conversation with, and a government that really is passionate and supports us. Which is different to the UK, let's say.

We've not transferred an employee over to Gibraltar for a long time – because of the uncertainty, not because we didn't want to. Our employees have not wanted to move particularly because of the cost of living, etc. So, having that certainty now, we can really look at how we operate our business and our transfer pricing. That's a problem for us and we really need to make sure that the taxes that are due in this territory are paid in this territory. It's one that I'm fighting a corner for at the moment.

So, we're really positive and excited for Gibraltar. The UK is a different matter, in terms of the regulation and the changes that everybody's referred to.

The black market is a real risk for all of us. It's difficult to quantify, difficult to put numbers on it, but these customers are not disappearing, so they're going somewhere.

Justin Cosnett: Kane, how does the news affect you and is there anything you wanted to add from a Gibraltar perspective?

Kane Purdy: The word Jo used was 'certainty'. Since 2016, it's been uncertain. It's been really difficult. There was structural change in the marketplace. The employment marketplace was difficult in acquiring top-level talent to make the move to come down here with that uncertainty, but that's disappeared. In one sweep, that's moved away. The first message I sent was to my ops boss, and he said Gibraltar is now going to be the primary option for where our staff want to be based to service everywhere around the world. So, the opportunity is incredible.

Justin Cosnett: Kane, staying with you: from an emerging threats perspective, how do you create a cybersecurity culture in your organisation?

Kane Purdy: I can only talk about what we do internally. It's pretty febrile out there. Our industry is always susceptible to bad actors looking to monetise. Rather than talk about culture, I can talk about outcomes. In 2024, we didn't have a single notifiable event. Now, it's an important point: notifiable event. We had a vast phalanx of events through the year, constantly being attacked. The mitigation that we're taking is built in through development teams – we do our own platform, we're proprietary, so building that in from the get-go through the training of our people. You've got to layer your approach on cybersecurity to build that culture.

We've been ISO27001 certified for 12 years: we're going through a recertification process at the moment, and it's our fifth cycle now so the awareness that comes with that, the e-learning, embedding it throughout our people, through the senior teams, the security forums that we have. It is embedded in the culture. That's what you've got to do; you've got to make the commitment to it; you've got to do the time and the spend and the focus. If you want the culture, you've got to invest.

Justin Cosnett: Per, how is the cybersecurity culture in your organisation?

Per Widerström: It's a massive threat that needs to be taken exceptionally seriously. From our perspective, it starts from the top – from myself as a CEO, the executive team, the board – that this is a really serious issue that needs to be seen from a strategic and tactical perspective, and top of the agenda.

It's about how you instigate a security-first mindset across the whole organisation. Not for people to believe that this is the IT department's issue but that it's company-wide. It's not rocket science. We need to invest to mitigate and to be ready for what's to come and what is coming almost every day.

We need to invest in people and we have a really sharp team, which is very new I would say, when it comes to the capability build-up that we have done in terms of cybersecurity. Investing into people, and investing into the tools, the data, and the processes is hugely important.

Culture-wise and mindset-wise, it tends to get shared accountability across the whole operation, including the customer service reps and marketeers, on how to practically protect our customers, the business, and the stakeholders. It's constantly being future-facing because, if anything, this is moving with rapid speed.

Justin Cosnett: Absolutely. That leads me quite nicely onto emerging technology, whether that be AI and ML, or crypto. Jo, what's your next investment focus, and what do you want to achieve in 2026 when it comes to emerging technologies?

Jo Whittaker: The buzz phrase is AI. I was at a Google conference a couple of weeks ago and it was clear you need to embed it at all levels of the organisation. We want the frontend for the customer, the Netflix style. We need the automation in all our processes. But how do we get a culture of embedding it at all levels? I think productivity will be the easiest one for us. We've just invested heavily in a new data platform to take us away from the more traditional data warehouse structure. The AI capabilities that we're seeing there, focusing on bonus abuse and fraud, are really exciting.

I've got a founder who is 82, and thinks he knows more about AI than anyone else. He spends his life telling me we need more AI. We've put in a chatbot that had AI, and it was going to be out-of-the-box AI. How wrong were we? It was just a chatbot. AI needs the information to feed it. It needs a lot of work around it, and we've now got roles such as AI conversational specialists within our organisation that are on big salaries. I didn't even know what they did.

Google gave us a stat that two-thirds of their code is now written using AI. We are miles away from that. That would be a dream. We need to embed it correctly, treat it correctly, be careful about what data we put in. You can't just put something in and it'll work. I've got people throughout the organisation telling me they're using AI, but I don't think any company has nailed it yet.

This is the biggest revolution in my lifetime and probably since the launch of the internet. I want Betfred to embed it into everything we do, get it right, and I hope we'll be at the forefront. I think companies who stay scared of it, or wait to see what happens, will suffer in the long run.

Justin Cosnett: Ciara, is it similar in your organisation?

Ciara Nic Liam: Yes, even just getting people to understand what AI is at a high level and what the capabilities are is incredibly important. If we go back to your last example of cybersecurity, I was speaking to someone last month who said at the previous company he'd worked in, the biggest line of defence for cybersecurity was the staff on the ground. Not management, not cybersecurity specialists. They had put together an AI-generated video of their CFO from different public results presentations that asked them to do a bank transfer out of hours. It wasn't even their CFO, and that was the whole point: how do you train people to detect something they don't fully understand the capabilities of yet, when they don't know what could be possible?

Earlier today there was a comment about that approach of trying everything with AI and having a structured plan to roll it out across every part of your organisation. If you go into this with the thought that we can't fail, we need to get it right, it needs to be methodical, we need to roll it out piece by piece, you will miss things, and you won't be able to move as fast as you can.

Nearly everyone in this room is older than Google. That was 1998, and it changed the way we think about how we ask questions. AI is now doing that. The girl who did my hair yesterday said she had a problem with an IKEA thing she was putting together. She pays for a ChatGPT subscription and she sent a picture and ChatGPT told her how to fix it, without all the Google diagrams and all the complicated words. She said, 'I don't really know anything about AI, but I pay £22 every month so that it fixes my life problems for me.' I think that's the point.

At Entain, we're taking a cautious, regulatory-first approach – we're very conscious about PII (personally identifiable information) – and also a top-down and a bottom-up approach because, while it's important that you update the board, they understand what your plans are, and you can talk to regulators about it, you also need adoption driven at every core level of the business.

We're doing things from AI hackathons. I have a local version on my laptop, and I plug it in and look at all of the Jira tickets across the product and tech organisation that I have. We've got nearly 40 squads in gaming and I ask it questions like, 'What kind of key areas are they struggling with? What common areas do they have that are slowing down their output? What different pieces are there?' It's incredible the information it can give me, and it allows me, at my level, to take action rather than wait for people to come to me and for it to make its way up the chain.

I can now do that without needing to go through hundreds of backlogs and reading 40 sprint reports every fortnight, which is phenomenal. But you need to be very careful how you use that information, and it needs to be a local version on my laptop, so that I'm not training Chinese models, as well, on company secrets. It will change the way we do business, and it needs to be for the better.

Justin Cosnett: Per, is it going to be the same for you? Is AI going to be the big investment focus for the next year, or is there any other topic?

Per Widerström: It's going to be the same. evoke is undergoing a fundamental transformation on the back of the new strat plan. In particular, we are forming the forces behind six strategic initiatives that are resetting the business companywide. One of those initiatives is to accelerate by AI intelligent automation.

We have a north star that is all about what we call infinite personalisation when it comes to customer experience, and the human intervention by exception. We are doubled down on that when it comes to building a world-class capability. There's still a way to go, but our position, when I started the company, was best effort is not good enough. So we went out to the sector to, without mentioning any company, one of the forerunners in the world when it comes to AI and intelligent automation. That's accelerating the transformation of the company.

We see that as an incubator, because it's introducing a new technology but even more so a completely new mindset. We had to deal with a legacy culture, a lot of concerns about what the future's going to look like. But it's an incubator with a view to starting small and scaling exceptionally fast, and we are rolling out hundreds of use cases as we speak.

One very interesting thing is our in-house AI-gen, AI studio, which is interfaced and aggregating the different ChatGPTs and Gemini, and other tools. Of course, we have that wall guard in terms of our company data but we are democratising the usage of those tools across the operation. You get the top-down strategy, but equally so, the bottom-up capability to the people. In order to survive in our company going forward, you need to embrace it, and it's a great opportunity to exceed. So it's going to be really interesting to see how this progresses but it is accelerating with speed.

Justin Cosnett: Neil, is it going to be augmented reality, or is it going to be virtual reality, or is it going to be crypto, or are you going to say AI, as well, from an investment focus for the next year or so?

Neil Banbury: My view is that, unless you have unlimited resources, then, right now, it's got to be AI. There are two things that are on my mind on this topic. One is that it gives an opportunity for us as an industry to reimagine how we deliver value to customers. Ultimately, the customer cares about the experience that they're getting. They don't really care about whether it is an AI-generated or driven asset they're seeing, or whether someone in the creative team has built it. They care about how that makes them feel when they have the experience, and we have an opportunity to reimagine how much value we can deliver to customers, which is core to the business.

The other part is culture and people. I definitely agree with top-down, bottom-up, and trying things quickly, and scale where you can. But, ultimately, the key challenge that we also need to be able to solve as leaders, is to be the type of business that the top talent, who are super-excited and super-engaged, and much more capable with this technology than their superiors up the chain, want to work.

We've got to find the right way to get that top-down and bottom-up balance with the right guardrails in place but lean into the fantastic capability that people are discovering for themselves. So many of the traditional models are not set up in the best way to support this. Like the idea that we would train all of our people on this stuff and have one company view about how you must adopt it. We're going to be telling people stuff that they've known for months by the time we get these things set up so we have to find a right way to balance that from a people perspective as well.

Kane Purdy: Jo mentioned data warehouses and big data, and we've been wedded for the longest time to these big old data systems. So, while we need to fuel the systems and the AI – and the journeys and the experiences that customers have – our focus is on real-time data.

Of course, we're doing the AI stuff over the top of that, but our key focus is moving to fully cloud-based datalake houses where we're able to extract the data in near-real-time to be able to fuel all the AI, the journeys, the systems that layer over the top.

Justin Cosnett: That moves us quite neatly on to the next question around collective intelligence. Data sharing for improved KYC, responsible gambling and fraud performance – is it going in the right direction?

Kane Purdy: I'm going to do a bit of spruiking for Gamprotect here. Dan Waugh depressed us all with his nihilistic view of the future but, in my 20-odd years in the industry, I have not collaborated and worked more with other operators through the GBGA, through the BGC, conversations with other senior leaders and operators than in the last 18 months to two years. That's flowing into conversations with regulators. I've always had the opportunity to speak to Andrew (Lyman), a brilliant regulator who is always available to us, but I see some green shoots with the GC as well under Andrew Rhodes. Their attitude is changing, and they have never been more available.

So, the idea of Gamprotect getting licensed operators together and sharing the most sensitive data that any operator would hold – use cases of someone who was going to harm themselves, or someone who is a gambling addict, is in treatment for gambling addiction, or is on medication that significantly impairs their

ability – means the participating operators are now sharing that information amongst us to exclude those people from playing.

I don't see that such sharing and collaboration would have happened before. So, I see the green shoots of, I'll call it greater maturity, amongst our industry. That existential threat that Dan laid out, we're not there yet but I see the potential for us to be able to answer some of those issues.

Justin Cosnett: Jo, is your view also similarly positive that the collective intelligence, or data sharing amongst the operators, is going in the right direction?

Jo Whittaker: I'm a little bit torn. I don't disagree with the majority of points that were made there, but a customer needs to be able to get a bet on in a regulated market.

We all want to sleep at night. We don't want people who put themselves in a situation where gambling is taking over or ruining their life. That's not what any of us are about. The industry is in the best position it's been in for a long time.

A couple of weeks ago, I was in a forum where we were talking about open banking and the level of data that we would get out of open banking. We shouldn't be doing profit and loss, and working out people's disposable income from open banking data. That's not our role.

The thought of carving out racing from affordability, and that's okay if you're betting on racing – there's a lot of narrative at the moment. But, as an industry, we're working together. I agree Andrew Rhodes has been a breath of fresh air in terms of engaging with us and having open dialogue. I don't always agree with them, and it doesn't always trickle down throughout the Gambling Commission organisation. We're in a better place but I'm not sure we're in the right place, and there's a risk that we get pushed too far, and we literally can't open the door to take a bet.

Justin Cosnett: What are your thoughts on the M&A environment and market activity in 2025? Is there anything you would like to add to the sessions we heard earlier?

Ciara Nic Liam: The M&A landscape is still changing. It's still moving at a significant pace although it has slowed down considerably. There is an awful lot of space on the supplier side. We've heard about how people are leaning on suppliers when taxes go up and there is a lot of conversation about EBIT percentages, and how you grow.

There is a lot of change in the retail landscape, as well, not just in the UK but across Europe. Still more advertising bans to come and lots of changing regulation. While the M&A deals are coming slower, there are still significant deals going on. People are more cautious, because they don't know what's going to happen.

There have been some situations where the sins of the past have come back, as well, to bite some of the bigger deals that have happened. Consolidation still seems to make sense in many cases. We talked earlier about that market entry and how it might be cheaper to invest organically in a new market, but it's quite difficult as a listed operator, for example, to justify that spending, when it's easier to go out and spend a lot more money and buy someone. That's a reflection that we probably don't do a particularly good job of storytelling as an industry. There was a little bit of criticism earlier around responsible gambling and how we tell that story but, as listed operators, if it is cheaper to invest in a market and to grow it organically than to buy someone, you need to find ways of bringing people on that journey with you, and telling that story.

Justin Cosnett: Neil, it's an opportune topic for you!

Neil Banbury: Yes, we're right in the midst of early integration into the wider business, and that is a fresh reminder that it's not historically straightforward to just buy a business and ingest them into a wider group and move on.

One of the key opportunities for operators is to focus on getting their businesses onto one technical platform and increasingly having a significant percentage of the revenue coming from products that are in-house. It becomes an imperative, almost, to look at how big your total address for the market is. The idea of either organic market entry or doing significant cost-out M&A, and moving acquired businesses onto that one platform, becomes a really attractive way of growing the topline so that you can keep absorbing the headwinds of cost and tax, etc.

We will start to see more of that. In the phase it is in, the industry is still getting everything into one place, and getting the product in-house. That gives amazing capabilities to then think how you could deploy that through M&A. Obviously, there is a lot of work that needs to happen to get to that point and some big operators in our industry are in the middle of that journey.

Justin Cosnett: I'll give the final word to Per on M&A activity.

Per Widerström: We all see the trend for – and the aim for – scale economies when it comes to consolidating both horizontally and vertically. We definitely see that now in the sector.

From our perspective, we are dealing with our integration, but we do see a great opportunity, for low capital high impact M&A, or strategic alliances, partnerships. An example of that being 888AFRICA, where we have the opportunity to capitalise and materialise on a strong brand like 888, in a partnership with a great team, and in a joint venture. That is how we're approaching it, not least in light of the capital structure now.

Justin Cosnett: We had the ESG session panel just before this one. Ciara, what are the keys to growing diversity in your business?

Ciara Nic Liam: That's the million-dollar question! Diversity takes all shapes and forms, and I don't like being the diversity candidate on a panel, or being the person that just shouts about letting women in because it's about a lot more than that. I really enjoyed some of the conversations that we had yesterday at the Global Gaming Women Forum, with that hashtag of #WeAllWantToPlay.

It's very easy when you're building a team or you're going through a transformation to hire lots of people who think just like you do. You meet them in an interview, you instantly click with them, and you think, 'Yes, they're on it. They agree with me. I agree with everything they said. Let's get them in. We'll build a strong team together.'

But when you've got hundreds of thousands of customers all around the world and you're designing for our in-house studio, for our front-end experiences, and setting out our global games roadmap, you need diverse thoughts in there. It's about making sure that there's space and opportunity for those to come up.

One of the things that I hear from a lot of people, whether it's through mentorship or different people reaching out to me, is that it's almost like burning out, trying to feel included, trying to get their voices heard in that room. That can be people from all backgrounds. It can be young people; it can be people that are slightly older in their career, and worried that they're going to be managed out. Not just male or female, or an ethnic minority or not. It's about standing back to create that space for people to come in.

I challenge myself and my team to say as soon as you're ready to answer a question, can you just take a pause and wait and see if somebody else speaks up. Because if you say 'there's no room for us to get this wrong', or 'we really need to get this right', then people will start to censor the ideas they put up. If you say, 'this needs to be a really well-structured plan' then again, people won't give you that moonshot idea that they have.

Finding more ways to be inclusive, to give opportunities for people, even if it's young people, to come along and learn about our industry is the most incredible thing. You can give all of the market statistics about balance on the board but having an inclusive team where people feel like they belong, like their voice is listened to and appreciated, and where they don't have to work harder than anyone else just to feel listened to or heard, is the most important thing. It's something you can just do. It's not even going to cost money. It's not extra campaigns. Just give everyone a chance.

Justin Cosnett: Thank you all very much.

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

kpmg.com/uk

Create | CRT163862 | October 2025