KPMG eGaming Summit

Gibraltar

July – August 2019


KPMG
Panel: M&A activity in the gambling and betting sector
Hassans

Kindly sponsored by

A Word from our Sponsor

For the past decade, Continent 8 Technologies has proudly sponsored the KPMG eSummit reports, which have faithfully measured the challenges and growth of the eGaming industry.

Each report has featured discussions from the sector's leading figures and influencers regarding the current threats and opportunities facing operators and associated businesses, from taxes, regulation, and social responsibility to new technology.

This year's eSummit in Gibraltar was titled "A new era in eGaming." As you read through the report, you will notice a recurring theme of collaboration and positive action as the industry prepares for the future.

At Continent 8 Technologies, we are proud to provide technological support for businesses in the eGaming sector, enabling them to deliver their services effectively, efficiently, and securely – building robust, resilient pathways for future growth.

With over 40 connected locations around the world, including our data centre deep in the Rock of Gibraltar, Continent 8 provides critical Cloud infrastructure solutions across Europe, Asia and the Americas. Our commitment to the eGaming industry remains steadfast and we are grateful to have been this year's recipient of the Global Gaming Awards' Corporate Service Provider of the Year Award. Continent 8 has also been named Data Centre of the Year at the EGR B2B Awards – for the past ten years in a row!

We are delighted to once again present the KPMG Gibraltar eSummit report to you and trust it will provide you with much food for thought as we look ahead to an exciting future for eGaming!

Michael Tobin

Co-Founder and CEO, Continent 8 Technologies

Contents

KPMG Gibraltar eSummit 2019 Opening Address

The Hon Albert Isola

Government of Gibraltar

It's incredible how fast these events come by every year. We are hugely grateful to Micky Swindale and the rest of the team at KPMG for putting these events together. They really bring the entire gaming community into one room for one day, talking everything and anything gaming – and indeed we've seen the impact of some of the spin-offs from these eSummits. Some of you may remember three or four years ago Sian Jones spoke at one of these events. Micky brought her to my office, we met, we talked through some of the interesting things on blockchain and how blockchain was evolving. That led to Sian being appointed to the Gibraltar Financial Services Commission, and very much the thinking behind the DLT framework that we introduced in October of 2017 – so the reach of this conference is very much wider than gaming even though it is entirely focused on eGaming.

So a huge thanks again to Micky – you seem to make them bigger and better every year, like our gaming community in Gibraltar, and for that we are all extremely grateful. I'm also delighted this year to welcome our friends from the UK Gambling Commission. We work extremely closely with them along with the Department of Culture, Media and Sport (DCMS), particularly these past two years since the Brexit vote, to ensure that we have a far more cohesive approach to the work that we both do. They are here on visits and it's a pleasure to be able to welcome them in here and work with them during the course of the year.

When the Brexit vote happened in June 2016, politicians jumped onto the microphones and said it's business as usual. But you are the ones who have had to deliver it – and I have to take my hat off to you, and the way that you've managed during what must be the most uncertain period in history, the entire raft of uncertainty that Brexit has delivered to us all.

The crazy and bizarre thing is that, today, we are no clearer on what's going to happen, or how it's going to happen, which is quite disappointing. Not a very good report, if you were going to have an end of term report on the conduct of our politicians, but there we are.

As you all know, our focus since June 2016 has been to deliver to you the maximum certainty that we can. I'm delighted that we've been able to do that, being the only jurisdiction to have guaranteed access into the UK market, which I know is a very important market for you all. So, the Memorandum of Understanding with the UK Gambling Commission is also an important step, as is coming into a closer regulatory alignment with them. It's important that we all have similar goals and objectives, and I'm very pleased with the work that we've done, particularly our own team at the Gambling Commission here, in delivering this.

A big chunk of the work that we've done this past year has been working with you. Brexit has impacted all of you and it's been part of our job to ensure that we can assist and support you in the Brexit planning and the Brexit preparations you've all been heavily engaged in. This has led to a number of different avenues of work, which are ongoing.

As if that wasn't enough in terms of what we've been dealing with, we've had just recently our MONEYVAL evaluation. When we joined MONEYVAL two and a half years ago, if I would have known the amount of work that was involved in becoming a member and being evaluated, perhaps I wouldn't have been quite so keen to join in the first place. It was the right thing to do, and I acknowledge that it is still the right thing to do despite the amount of work, but my thanks to you all.

Many of you have been deeply involved in the process in preparation for, and in the course of, the evaluation. As I've told the people who have supported that work, no matter what the result, I'm entirely confident that we could not have done better. We have put an enormous amount of work in, and particularly David Walsh at the Gambling Commission, and many of you in the individual firms that have supported the work that we've done. The work has been extraordinary and the effort and the resources that have been put in to that work have been most gratifying to see. I've got no doubt that Gibraltar is far better for it.

We will work with the evaluators: we had some very open and frank discussions with them. They were blown away by the honesty of the responses we got from all the firms. They were

telling us just before they left that they'd never been to a jurisdiction where people answered questions quite so openly and honestly as we had done here. Not just in one meeting or two, but consistently throughout the public and the private sector approaches that they'd been involved in. So that was gratifying, and they intend to reference that at the plenary session of MONEYVAL at the end of the year as the first opening point.

You've also had new arrangements with the Gibraltar Financial Intelligence Unit (GFIU) in terms of the reporting arrangements which we've coordinated with the UK. Thanks to Paul Fox from the Commission for the work that you've done with that. And you've been at the receiving end of our new licensing and tax arrangements which came in at the back end of last year, which Jenny and the team at the Commission have also been working with you on, and I'm grateful to all of you for that work.

The Commission is moving and is changing. Obviously that means more resourcing and they will get that resourcing. I'm grateful to each and every one of them for going the extra mile in the work that they do in servicing your needs throughout the year. I'd also like to thank the Gibraltar Betting and Gaming Association (GBGA). We have had more and more engagement with GBGA. You will hear during the course of this morning about the work that we are doing, and you will see the delivery of some of the results in the short to medium term so my thanks to the executive of GBGA for the work that they do with us.

We've talked a lot about the Gambling Review in the past and many of you will know what we intend to do with that. The handbrake was pulled on it with Brexit: other priorities and other focuses came but now we are turning our attention to the Review, and that will result in some key areas of work.

We've had a paper from the GBGA. We've had many discussions with many of you during the course of the year on technology. The paper that we've had from the GBGA is on a potential way forward under the Gambling Review in how we handle technology moving forward. We've committed – and I've called a meeting of our working group to go through those proposals – to look more widely as part of the Gambling Review on technology and how we can meet your needs. The world is changing, technology is changing, we're not in the same place that we were 25 years ago when we started this journey. So it's absolutely right that we should review, and we will consider that in consultation with you and of course with the GBGA.

We're also reviewing the scope of services. Many of our operators wish to expand the services they do from Gibraltar, so we're going to be carefully thinking about that: how we can do that in a safe and mitigated way which will enable us to facilitate your continued growth and expansion into areas that, perhaps, we've had different views on before. Again, we'll be carrying out some work in consultation with you and the GBGA. This is all in the very short to medium term – I expect this to be completed at latest in the next quarter. So I hope to revert to you in the short term with some interesting news.

The Review will also look at the ways in which we can protect and enhance our regulatory approach. That it's very kind words for saying sanctions. We need to keep updated in how we deal with these, in a proportionate, sensible, fair and reasonable way. Those of you that have worked with Phil (Brear) in the past and with Andrew (Lyman) in the present will know that when I say proportionate, fair and reasonable, that's exactly what I mean.

All of this, and the other areas we will consider, is with the objective of maintaining and keeping Gibraltar as a tier one gambling jurisdiction. It's in your interests, it's in our interests, it's something that has been the focus of our strength and our growth these past 20-odd years. We're absolutely determined not to change the thinking, not to change the philosophy, but to see in what ways we can work closer together with you to make that more attractive for yourselves and potentially other operators.

Finally, I'd like to talk a little bit about social responsibility. I mentioned here, three or four years ago, my ambition at that time: that every single employee of every single gaming firm in Gibraltar should go through a responsible gambling course through the University of Gibraltar.

At that time it was ambitious but the agenda really has moved along in that direction these past years. Some years ago it was good for gaming firms to talk about responsible gambling, today it's good for gaming firms to do something about responsible gambling. I'm delighted that, as always, Gibraltar firms are leading in the drive towards protecting consumers in every way possible in the approach that they embark on in the conduct of their business. So, from my perspective, that ambition is still strong and is still something that I aspire to, and I am delighted to report to you that we are making good progress in that regard with you, and with the entire support of operators and, of course, the GBGA who have worked with us to deliver.

Social responsibility is a major issue for all businesses, and when that relationship between a business and its customers

is adversarial, as in gambling, the opportunity for heightened emotions and claims of "offside" are more sharply focussed. There's no question that the agenda for responsible gambling is dominating space in media and dominating time in parliaments. That requires our response.

What we seek to do, in delivering that response, is to set up at the University of Gibraltar a Centre of Excellence with a senior professional Chair managing and embarking in research. It will have data available to it in an open source manner, in terms of the results of that research, which will be available widely across the gambling communities. This will enable you to plan and, based on evidence, more directly project in what ways you can support the drive for responsible gambling. They are both interlinked, in terms of how we operate and how we work with the Centre of Excellence delivering the research, working closely with you and analysing your data in a way that the GBGA is confident can be achieved, respecting the data requirements that each and all of you obviously have.

We are very close to launching, and later this morning Catherine (Bachleda) from the University of Gibraltar will be telling you more about it in terms of their thinking as to how they want to deliver this. I see that ambition that I asked for three or four years ago being a reality on the back of the Chair and the Responsible Gambling Centre of Excellence at the University of Gibraltar.

So the first phase will be the research: how should we, and how can we, deliver a better approach? After that will come the courses which will be fed from the results of that research. So you will all participate in that process, you will all participate in the benefits of that research.

The funding, which we are looking at doing through fines and contributions that will come from the industry in a manner which has been agreed by the GBGA through a charitable foundation, with the approval of the various authorities in the United Kingdom, who we are engaged with and securing, I think will work very well. And it's not by accident that, on 25th April, the UK Gambling Commission issued its own paper on a national strategy to reduce gambling harm. A three-year strategy which has three primary limbs: prevention and education, support for those that are affected, and research.

We are doing it in a slightly different way but very much focused on a very similar course to that the Gambling Commission itself has taken. We have the University in Gibraltar who can help us to deliver much of this work and I'm extremely grateful to them for the way in which they've picked up this project and are running it with us. I'm delighted to say that we fully endorse the Gambling Commission's three-year strategy. We will be issuing a public statement welcoming and supporting it, and we will work closely with them, not just in what they're doing, but in developing what we're doing. I believe, as a Tier 1 remote gambling jurisdiction, that it's critical and essential at the front end of this work and I'm very grateful to you all for your support in enabling us and assisting us in delivering that.

Finally, Andrew (Lyman, Executive Director, Gambling Division), a huge thanks to you. This is now your first year, your first full year working with us. It was always difficult to come after Phil Brear but the knowledge, the expertise, the calmness and the wisdom that you have brought has been most welcome. I'm extremely grateful to you for the fantastic work you do on behalf of the jurisdiction with all of our operators here, so thank you. And thank you all for coming, and I hope you have a fascinating day.

Future of the Sector Address

Wes Himes

Remote Gambling Association

There are few members of the eGaming community as well qualified as Wes Himes to give an address on the Future of the Sector. Having created the interactive gaming, gambling and betting association (iGCBA) back in 2000, ahead of the creation of the UK Gambling Act, Wes has been intimately acquainted with the fortunes of the industry and the challenges it has faced over the past 20 years. The Remote Gambling Association (RGA) was formed from the merger of the iGCBA and the Association of the Remote Gambling Operators in 2005, with Wes supporting it in the role of RGA International Adviser and working with a number of European countries as they opened up to regulated online gambling. He became interim CEO of the RGA in 2018.

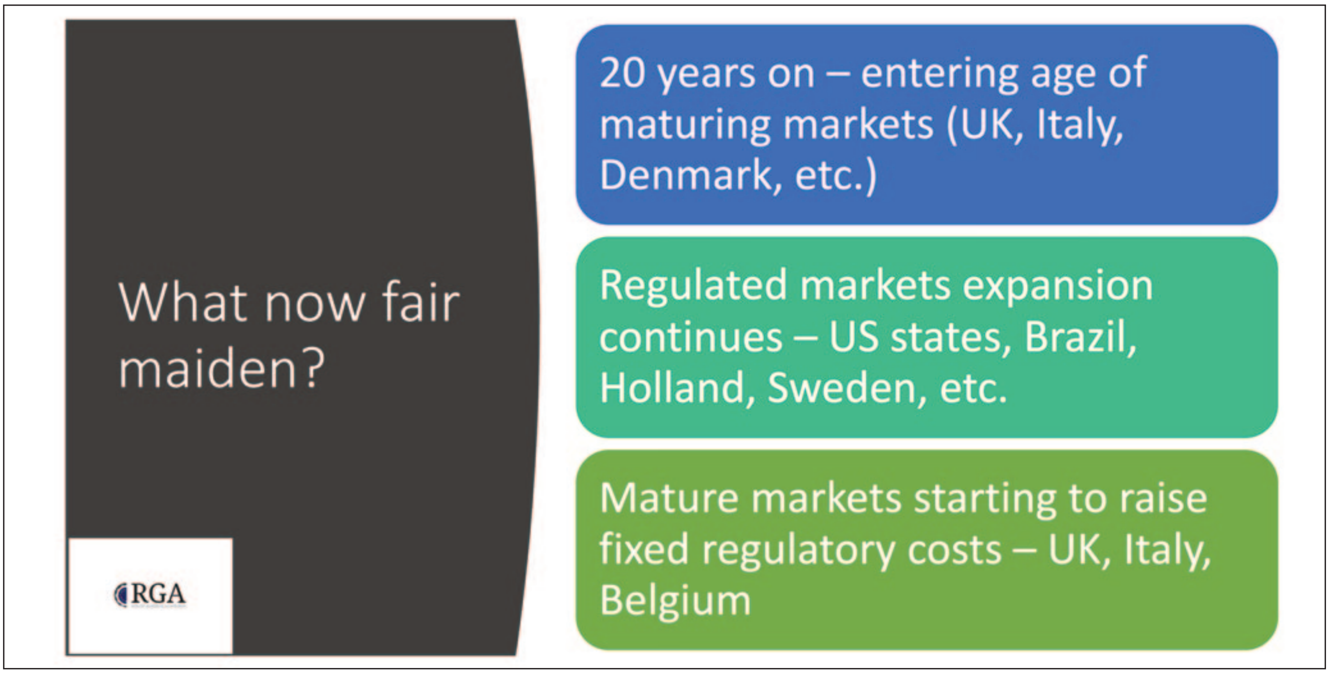
Wes began by asking delegates how positive they felt about the prospects for the online gambling industry over the next five years. The results revealed that the majority of attendees (90%) felt some degree of positivity with only 8% having a negative outlook and 2% neutral.

"The gambling industry is a US$74 billion industry. Last year in the UK growth in the gambling industry across the board was about 4.4%, and therefore Gross Gaming Revenue keeps going up. We've already been told today that a study in the UK said there are 33 million active users in online gambling in the UK. I find that a challengeable number, but still a large number in itself.

So what now for the industry? There are probably three things to think about in terms of the future of the industry. One is that we are entering into mature markets in certain jurisdictions. I have a good friend who likes to say the industry has been for some time an unruly teenager and we're now entering the early adult years in particular markets. That's obviously creating greater competitive pressures on operators. Following from that is rising compliance cost.

In countries like UK, Italy, Denmark, some of which are less than 10 years old, or 13 in the case of the UK, but a lifetime in an online tech environment, we're starting to see a much more mature market. That's going to have an effect on operators, small or large, as we go forward.

Yet there's a whole world out there that remains unregulated. This still includes a few European countries, as well as countries such as Brazil, and parts of the United States. The opportunities for growth exist out of the core mature markets for operators who are willing to invest and spend time getting into them. We've seen some of those come online recently, Sweden for example, so the regulated markets continue to grow. What's good is that there is fertile ground for the sector. Finally in those mature markets regulatory costs are starting to rise. These are some of the main trends in the sector. I don't think any of them are a surprise to you, and hopefully they simply reaffirm your own thinking.



So where are we in terms of the development? What's typically happened, particularly in Europe, is that once a law comes in, it's usually constantly improved second and third generation changes. Let's take the example of tax. As an association, we have always argued for a GGR tax because we think that's fair on the customer. But of course some member states bring in turnover tax. Look what's happened in Italy: they had a turnover tax, it went to GGR. In France they're talking about moving from the turnover tax on sports betting to a GGR.

These generational changes have typically been positive for the sector because you suddenly go from being a foreign operator to a domestic operator.

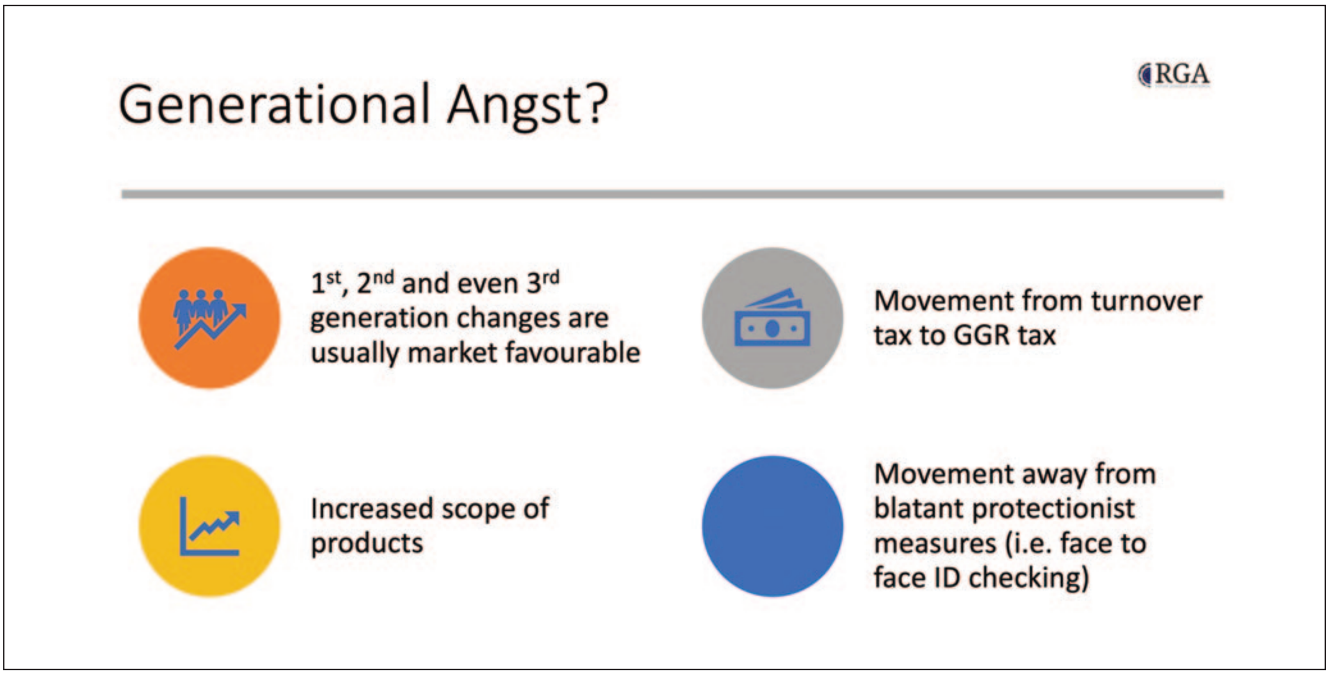
The second thing is the increased scope of products. More and more products are being added to the initial mix following from the initial primary law.

Finally there's the move away from protectionist measures. In the Czech Republic, you have to go and get a face-to-face ID check before you can register: obviously in the age of technology, that is a really ridiculous requirement, no matter how much they try to justify it on AML grounds.

Now let's look at where there might be trouble ahead. One area that occurs early in these generational changes – and often causes a sea change in the way stakeholders, and governments, and policy makers look at the industry – is the issue of advertising.

What's the problem with advertising? What does it raise in terms of concerns for those that govern and regulate the sector?

One is that as soon as a market is open, there's typically a massive rush in the volume of broadcast advertising.



So if you look at Sweden, if you look at some of the angst generated by policy-makers and other stakeholders, it's around the volume of advertising or due to certain circumstances such as the World Cup. It's something that everybody, customers and non-customers see every day. Advertising is starting to short-circuit the generational change that we see. Once we start to curtail broadcast advertising, such as in Italy and in Spain, a lot of that moves online. And online we have problems because it is a porous way of advertising. What do I mean by that? We don't have perfect systems working with the tech companies on, for instance, age-gating. This makes it very difficult because sometimes we get ads in the wrong places and that, once again, generates further intervention by the regulators.

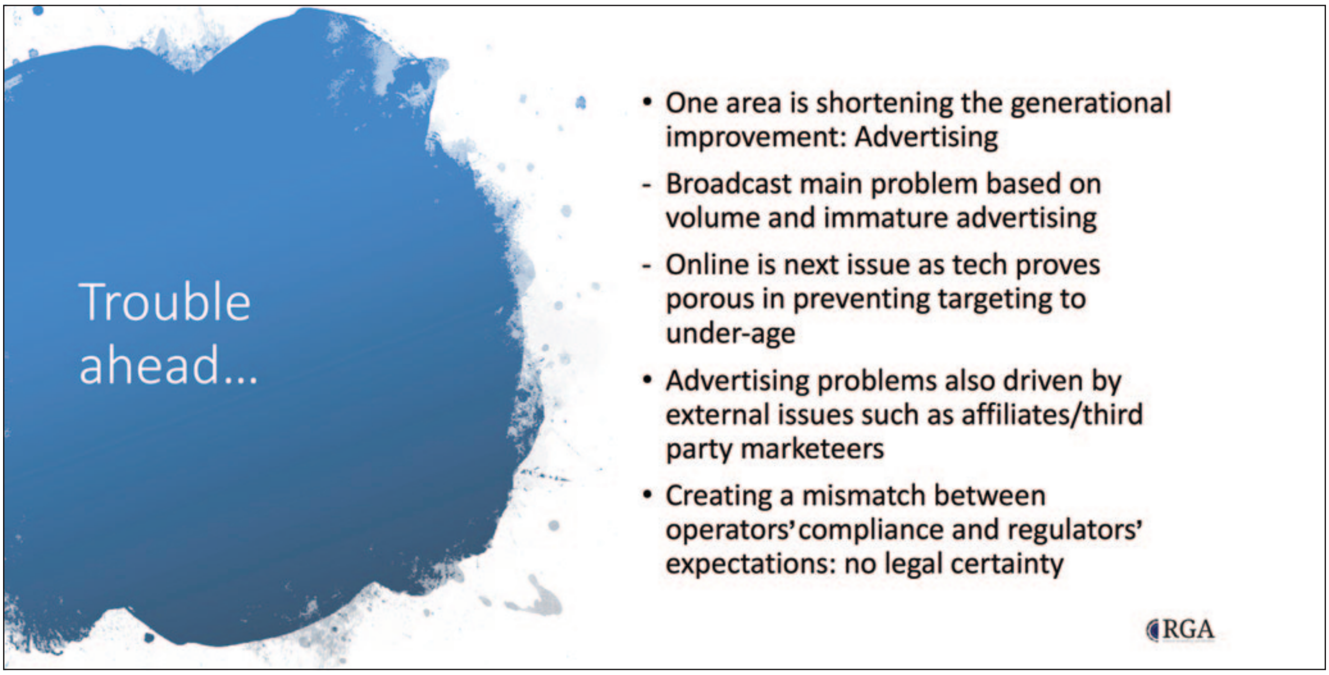
We also have problems along the supply chain. Operators are in charge of their advertising but in some cases ask affiliates and third parties to take forward marketing. They often secure suppliers, affiliates and marketing agencies to do so, and so we need to extend the responsibility of our advertising right through the supply chain in order to make it more air tight in terms of where we're serving it.

Finally, you end up getting a regulatory mismatch. Anybody who's read the news over the last few weeks will have noticed the Advertising Standards Authority, the regulator in the UK, has levied a number of infractions or fines or warnings against operators. These are against ads that were thought clearly legitimate, had been cleared through Clearcast, the organisation that checks compliance. But the operators were told once again to withdraw the ads so all of those production costs were lost.

Advertising is probably one of the leading causes of a potential negative kickback from governments and from other stakeholders. It ends up short circuiting that positive cycle and it's certainly an area that we need to keep aware of. An important example is in the UK, where the RGA was quite instrumental in bringing forward the Industry Group for Responsible Gambling (IGRG) Code which has now banned broadcast advertising, the so-called pre-watershed "whistle-to-whistle ban" starting on 1st August this year. So advertising is an issue you need to be aware of and particularly its impact on your future regulatory environment.

Moving to compliance and compliance cost. The UK is probably at the forefront of noticing compliance costs coming in, and they are occurring around a number of areas. I'm going to look at five of these.

The first is identification checks. Any of you in compliance who have had to go through the UK's new LCCP requirements on identification and verification will know how difficult this is. Why? Because the underlying databases that we use to identify customers are not perfect. We get



mismatches. We get false positives. Therefore we have to use less technical means to do this, in some cases purely manual. And what is the danger in that? It's that we lose customers due to technical reasons. Where do we lose customers to? We lose customers to sites that don't do this. There is a material hit on this because of potentially losing customers because we simply don't have the technological means to match them effectively.

The Anti Money Laundering Directive (AMLD) and source of funds checking is a challenge with us, particularly in the UK, because everybody does their funds check, they file their suspicious activity reports but they're never allowed to share that information across operators. So we can never build a profile of customers who don't pass these checks. That needs legislative change which we cannot get.

Self-exclusion is also a difficult one. For example, we have GamStop in the UK which is fantastic. It aggregates self-exclusion so you're cut off across all sites, but it's imperfect in the sense that we'd like to take that database and make sure customers don't receive any advertising once they self-exclude. And once again that's a technological issue, that's a GDPR issue, but it's an expectation from regulators that it's a demand that we will meet.

Let's look at interventions. There is a demand of operators to make sure that if you see any problem, or signs of problem gambling, you are prepared to intervene and cascade that intervention if those signs of harm continue. But how do you intervene? How do you tell a long-term customer, who has always gambled responsibly, that suddenly we need your passport, suddenly we need to write an email to you, suddenly we need to call you? It's not about whether, it's about how. Because what you don't want to do is turn that customer off. Not just turn them off your site but turn them off all of the regulated sites. So interventions are going to be a more important part of this industry, not just in the UK but in all regulated jurisdictions, as we move ahead.

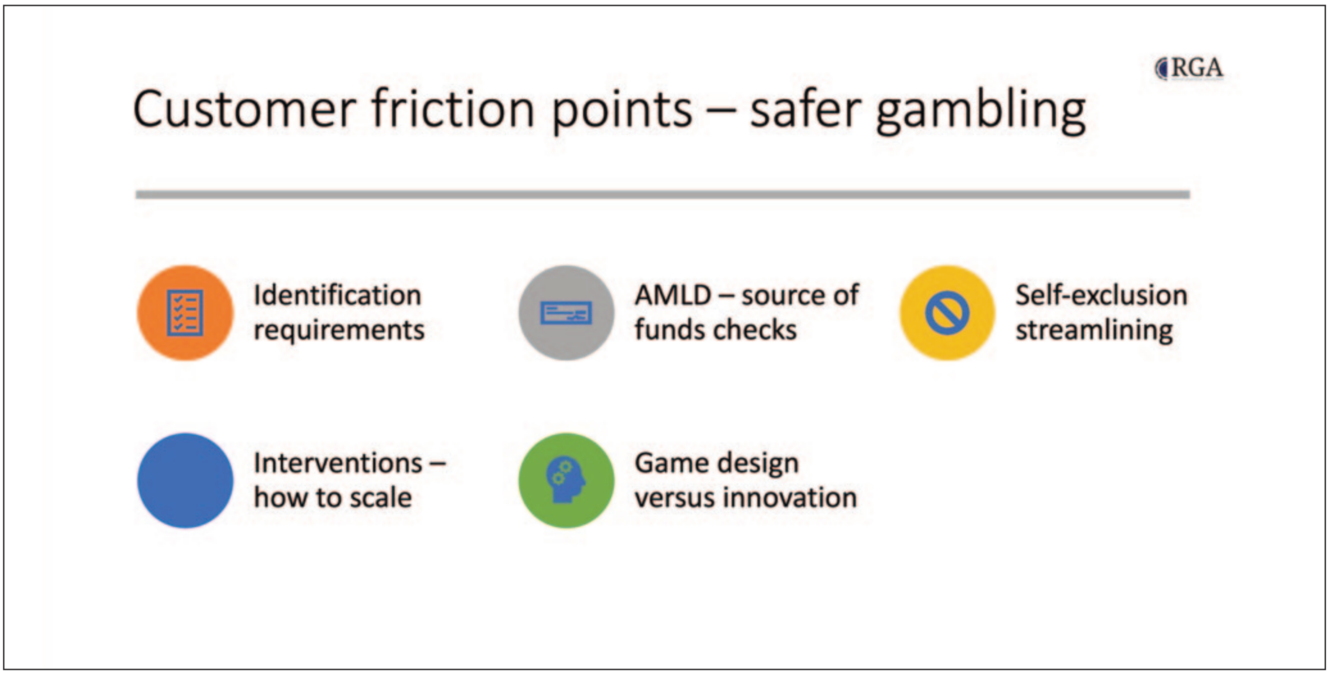
Finally there is game design versus innovation. There is always this titanic struggle between letting the designers innovate, letting them go out and design new and wonderful things that customers like, but at the same time recognising if any of those particular features serve as a proxy of harm. Some of the work we're doing in the RGA is to try and identify those game characteristics, and to determine whether they are a proxy of harm. That goes into our behavioural analytics to begin to tell us much earlier in a player's journey whether they're exhibiting any harm.

I list these five things because they're examples of the type of regulatory compliance that is coming, not just in mature markets but eventually in those expansionary markets as they mature. The thing for the industry to take away is don't wait for it. Get ahead of it. That's going to be the standard in the future that operators are going to have to meet.

"The gambling industry is a US$74 billion industry. Last year in the UK growth in the gambling industry across the board was about 4.4%, and therefore Gross Gaming Revenue keeps going up."

So, let's see what you think are the biggest challenges for the industry going forward. (Here Wes invited delegates to answer a poll question. The two most popular answers were Increasing Compliance (47%) and Public Mood about Gambling (35%).)

Those results might be slightly biased since I was just talking about compliance, but I think you're right. The issues of rising compliance are a big conundrum for the industry. As that fixed cost base rises, it creates a barrier to entry, but also carries a burden on particularly small and medium sized operators. That will have an effect on how the operators approach the market, in terms of whether they become niche and diversify, or try to find some uniqueness, or where they obviously have to seek scale.



What happens if we don't meet that challenge? What if we don't make sure we have control around the advertising and marketing? What if we don't get ahead of those compliance requirements that we see bubbling up in mature markets?

Let's look at some of the more material issues, beginning with banning on sources of funds. In the UK, once again, there's a consultation out about the use of credit cards for customers, and there is the possibility that credit cards could be banned.

Stake limits and prize limits are other potential outcomes. There have been politicians, not only in the UK but elsewhere, saying there should be stake limits, or prize limits, making this jump from offline machines to online gaming. That mood music is being discussed, it's being spoken about.

If there is continued poor database matching, will we have further restrictions on the ability to identify customers going forward? Will we have to continue to refuse customers because of difficulties in that?

And then there is the possibility of no advertising. To me, if you don't have advertising, you take away one of the benefits of being a regulated operator. One of the benefits is to be able to legitimately advertise a regulated product. If you suddenly say no advertising, you've just eliminated a major advantage and incentive for operators to be regulated and seek a licence.

Thus if you have these harder, blunter instruments as regulatory outcomes, do we now see the re-emergence of a black market in the very jurisdictions that created a regulation to get rid of it?

That is a critical issue going forward. If the industry doesn't do anything, this is possibly what you could get.

Looking at the future overall, I believe that we're going through what I would call a cultural change. It doesn't happen overnight, it's long term, and there is no end destination. But we're moving away from early growth, rapid expansion, and transactional relationships with our customers, to ones where we have a more nurturing, purposeful environment for our customers.

A safe product and safe customer. That is what we should be seeking. Why? Because a safe customer is a loyal customer, which is a long term customer which is a good customer.

We have to innovate; we have to innovate on safety as much as we do the product. Some tech companies may have previously shied away from addressing the issue of privacy. Now they make it a badge of honour. That's all about embracing the future and adopting it in order to provide an advantage, a reputational enhancement to the business.

We have to create more tools for self-awareness. We all know the best journey is the one the players put themselves on, not the one we put them on. So how do we create the tools and the awareness of those tools? If you talk to any

"Stake limits and prize limits are other potential outcomes. There have been politicians, not only in the UK but elsewhere, saying there should be stake limits, or prize limits, making this jump from offline machines to online gaming. That mood music is being discussed, it's being spoken about."

gambler, the number one thing is that they like to be in control. If we give them the tools to do that, that's exactly how they'll feel.

We have to recognise a small minority of people will have a problem with gambling and we have to be prepared to address that as an industry. Whether that's through funding for research, education and treatment, ourselves or through other programmes, we have to address those people. They are our customers, we have to make sure that we support them.

Finally, and probably this is where we are our own worst enemy, our biggest challenge as an industry is we don't communicate what we do. I see operators that do wonderful work, whether it's around behavioural research, identifying behaviours, or addressing education to young people. I see tons of programmes that the industry is involved in but we don't tell anybody!

We now need to be able to stand up, quantify and qualify, and tell the narrative of all the work we're doing.

At the RGA, we're doing work on affordability, on game design and on behavioural analytics, just to name a few. I spoke to a group just recently and mentioned 20 tools that operators or third parties are developing to assist customers. This is what we need to be doing: we need to be communicating that because we are taking our responsibility seriously. We want to do all that we can for our customers.

So that's where I think the state of the sector is. We are in this cultural transformation of moving away from rapid expansion to actually changing the paradigm that we have with our customers and recognising our responsibility.

It's going to create challenges, not just for mature markets but for expansionary markets. But I think that the state of the sector is exactly as you said in the poll at the beginning: it's positive. We have a bright future and let's continue to work towards it.

"We are in this cultural transformation of moving away from rapid expansion to actually changing the paradigm that we have with our customers and recognising our responsibility."

Responsible Gambling the Gibraltar Way

Moderator: Adam Rivers

KPMG

Panellists:

Paul Foster
GVC

Sarah Hanratty
Senet Group

Ian Ince
Playtech

Andrea Lazenby
Lottoland

Lee Willows
YGAM

Lyndsay Wright
William Hill

Reflecting the increasing importance of the subject to the eGaming industry over recent years, it was no surprise to see the first panel addressing the topic of responsible gambling. As moderator Adam Rivers commented, the 12 months leading up to the eSummit has seen the introduction of licensing in Sweden, the emergence of regulatory fines for remote gambling failings, a Government-led prohibition of advertising in Italy, and a network-led prohibition of advertising in Spain. In the UK, there has been enhanced Know Your Customer (KYC) regulation, the industry-led removal of "whistle-to-whistle" advertising, substantial fines from the Gambling Commission, a new strategy around gambling related harm, and the conclusion of the CMA investigation into online gaming operators.

Adam began by reflecting that all this activity meant significant industry challenge and indicated an industry that needs to change. The types of issues that the industry is grappling with, he said, are very complex and some topics such as affordability were "unchartered waters".

"For some operators this is going to be a real soul-searching journey," he added, "and for some businesses there will be significant commercial implications, both in the short and long term.

"What's clear, however, is that this is not a journey that operators can choose to avoid. Regulatory tone, political uncertainty, and societal pressures are all leading to a point where it's about forging your own path for the industry in order to be successful as opposed to walking the path that gets laid for you. If you don't do that you'll stand to, perhaps, lose the most," he added.

Adam first asked the panel what the previous 12 months had meant for them and what pressures had been created in the immediate term?

Ian Ince: It means a bit of a step change. At Playtech, we have numerous mistresses as we operate both as a B2B and also as a B2C company. We have to respond to regulators globally but also we have to respond to our licensees globally. Therefore we're facing all of these challenges from multiple directions. I believe suppliers such as Playtech can be a catalyst for change, both with their technology and the approach they're using because they are basically in the centre of all of it. We are in the eye of the storm. Often we avoid some of the challenges that operators have because we're one step removed, which potentially gives us more thinking time and potentially the ability to look in more depth.

Lee Willows: At YGAM, it's about relevance. As many of you know – and many of you do support our charity – four years ago we didn't really talk to young people about safer gaming, safer gambling. Working with you, we've been able to do that. Looking forward over the next 12 months, we want to scale up that education program.

Last year, YGAM, supported by colleagues in the room, engaged with over 160,000 young people and we're only a four-year-old organisation. That growth has been supported by the industry, but also has been supported by the education sector. It's just incredible; we have teachers, we have practitioners, we have a waiting list of people to come onto our workshops. The future for us is how can we again work collaboratively, definitely in the spirit of the new Gambling Commission's National Strategy, and make that leap from working with hundreds of thousands of young people through to millions?

There are 7.9 million 11-16 year olds in the UK, and that's absolutely going to be our focus. I'm hopeful that over the next few months we can have some really good meaningful partnerships with colleagues in the industry to help us, together, to roll our programme out further. Developing digital resilience will be at the heart of that.

Lyndsay Wright: This time last year we were a week away from two announcements in four days that completely changed the landscape for William Hill as an organisation.

We had the announcement for the US first, in terms of opening up the sports betting market, and three days later we had the news about the Triennial Review and the UK Government's decision to limit the maximum stake on FOBTs to £2. Those two pieces will completely change the profile of this business over the next five years.

But I'd argue the biggest thing for us in the last 12 months was challenging ourselves to ask how did we get here, particularly in terms of the UK? So really facing in to some very tough, challenging questions of ourselves which led us to July, when we stated that our long-term ambition is that nobody is harmed by gambling.

For us, that's been one of the biggest sea changes in the organisation, certainly in the last year and potentially across our past 85 years as an organisation. It's cultural, it's structural, and it's strategic because it's now one of the four pillars of our strategy for this organisation, and it underpins everything that we do.

Sarah Hanratty: Having come into this industry in the past year, what I am seeing is a pivotal and incredibly exciting moment, a new era of collaboration and leadership around safer and responsible gambling.

This panel is all about responsibility the Gibraltar way, and I think the fact that we're the kick-off panel for the eSummit really underlines the sea change that's going on. There is a new appetite for a collective honest and open discussion about what we can do as business leaders to take forward the responsibility agenda. Looking ahead, it's about taking our own course and driving that forward but with a real honesty and a recognition of what works well and what doesn't work so well, and keeping that continuous improvement going.

Andrea Lazenby: As an operator, the last 12 months for us at Lottoland have been incredibly exciting because we've been in partnership with YGAM, and we have taken that step of trying to drive the education piece here in Gibraltar, working with the Department of Education. We've had a very successful track record and that's certainly been our "high" over the last year and we will continue to support Lee and his colleagues.

"It's challenging, and it's fantastic that as a group we work together, particularly the operators here in Gibraltar, and that we face the challenges together as a stronger group."

From an internal operator perspective, as many of us know, it's an incredibly challenging environment that we work in. Not only do we have to respect our licence conditions in the UK and elsewhere, we have to deal with consumers that are getting very savvy. The more that's in the press about irresponsible operators, the more savvy our customers get and the more questions they ask us about the business. Even if it's clean business, we still have to justify that we are actually complying with all of the conditions that are put around us. So it's challenging, and it's fantastic that as a group we work together, particularly the operators here in Gibraltar, and that we face the challenges together as a stronger group.

Catherine Bachleda: I'm from the University of Gibraltar so I'm going to take a slightly different slant. We've had an exciting last few months in particular. We've been working with the Gibraltar Government and also with the Gibraltar Betting and Gaming Association, discussing how we can set up an International Centre of Excellence here in Gibraltar on responsible gaming.

Our vision is very much about Gibraltar being a global leader in research-informed responsible gaming programmes or initiatives. I emphasise the research-informed. There's certainly been an enormous amount of opinion-based argument out there, but there's a dearth of research when it comes to what initiatives work well. Everybody's doing things, and it's evident that people are very committed to responsible gaming practices, but there's not a lot of evidence – research-based evidence, scientific evidence – to see what works and what doesn't. That's where we really want to work with the industry to identify what works well and improve. It's about constant improvement as has already been said.

Paul Foster: The key thing has been cultural change. The last 12 months have been about working both with the company, finding new partners that we can work with, and trying to influence the industry through the groups, trying to pull everyone together, and trying to drive a cultural change. That's the only way if we're going to make a difference. Because if we don't pull together then we're not going to actually achieve anything.

What's been absolutely fantastic about the last 12 months is that cultural change is happening throughout the industry: within companies, within partners, within trade associations. People are really pulling together and I think that's what you're seeing today.

Adam Rivers: Let's now have a look at four key themes: prevention, collaboration, evaluation and what the University of Gibraltar is doing. Starting with prevention, which many say is the cure for some of the issues being faced by the industry, can you give us your point of view Lee?

Lee Willows: I don't think prevention is the only cure; it's probably one tool in an arsenal that operators have got.

There are four elements to prevention, so the first one for us and for you as the sector - and I'm thinking of our colleagues at the Commission, thinking of our colleagues at the DFE in London, and with Bet Victor and Lotto Land, the work we've done together with the Ministry here in Gibraltar – prevention is about raising awareness.

If you think back to your school days, you probably had education around sexual health, responsible drinking and so on but the vice that is gambling hasn't really been spoken about. At YGAM, we did pioneer that four years ago and start to have those conversations. Having those conversations with young people is really important and we do that through a "train the trainer" model. So if we want to get reach across the United Kingdom we believe that having that education delivered within a formal PSHE education curriculum within school and also being delivered by a trusted qualified adult as a teacher is going to enable us to get a scale. Also working with parents - we're doing more and more work now with parents. That's been built off the back of the work with Lottoland but also with other people in the room, and I'm hoping that we can accelerate that forward.

So prevention first of all is about awareness, the second element is about promoting tools. There are some fantastic tools that operators have developed, but there's also a piece of research out of Senet Group indicating that not many customers are using them. Those that do use them are more likely to stay in control and enjoy their gambling experience. So part of our education programme is around promoting those tools to practitioners who can then share them with young people, students who wish to gamble or game.

Number three is removing the stigma. We need to shine a spotlight on this area. Gambling can take you to a very, very dark place. Certainly, in my case, I was at the point of suicide seven years ago. So removing that stigma, and talking about gambling and gaming as a mental health issue, we think is very powerful.

The final element is around building digital resilience. That is absolutely what epitomises YGAM. It's not only about gaming and gambling, it's about that broader digital resilience piece.

The final comment I will make is that any education program that's delivered, certainly for YGAM, has got to be well evaluated. It's got to be accredited, it's got to be quality assured, and it's got to be delivered by really professional people who are qualified to do that.

Adam Rivers: Ian, there's a clear role for game designers when it comes to prevention. Could you provide some insight on what you're doing at Playtech?

Ian Ince: One of the many initiatives Playtech is taking a lead on is the aspect of game design. This came about through a conversation 18-24 months ago with the Gambling Commission with Sarah Hanratty and Bill Moyes (Chair of the UKGC) speaking to the Board about the responsibility that companies such as Playtech have in producing games that, whilst still exciting and entertaining, are potentially not as risky.

When you say that to many operators and many people in the gambling industry, their eyebrows raise because ultimately a game needs to have some element of risk. How can you introduce perceived risk safely?

So we're working with many of the operators here, using Wes's RGA as a vehicle, looking at the specifics of game design. Are there specific features within a game that lead to problematic behaviour?

The interesting piece, particularly in my mind, is using the clever guys in artificial intelligence from BetBuddy within Playtech to look at individual behaviours aligned to individual game design features – if you can ever reach that nirvana where you can identify someone who is potentially a problematic player very quickly in their gaming lifecycle, and then make available to them games that are specifically tailored to that player due to their design features, whereby those features are less likely to cause them problems. We all have different behaviours, we're all human, we're all different.

That's where we're pushing towards. It's baby steps at the moment and we're trialling through the RGA various

features. First, we're putting volatility ratings on games, we're trialling that, and that leads to what Lee was saying about educating the player. We're using chilli peppers, for example, like a take-away menu, to see if that works. So if you see one chilli, you know it's something I can eat, where as if it's three chillies it's something Trevor can eat. It's something that's obvious, intuitive and people can understand. We're applying that to the games themselves, initially on pay-out volatility.

Moving forward, it's going to be an interesting piece of work and we're in the realms potentially of Minority Report and predictive behaviour, but that's what technology brings to the table. And, as Wes Himes eluded to and has spoken about in the past, the next step that goes with that is the data to support that technology.

Adam Rivers: A real challenge there is conveying what is fundamentally quite a complicated concept, for example game volatility, in a way that the player can understand and engage with. Lyndsay, can you give an operator perspective in terms of prevention?

Lyndsay Wright: I'll state the obvious in this, I think data is our biggest friend. One of the biggest challenges we have always had in retail, and part of what made us vulnerable about the Triennial Review, was our inability to track individual customers and know what's going on with them at an individual level.

We have reams of data in online that just gives us so much more power to be really positive with the customer, helping to keep customers in control over the long term. This gives us a huge opportunity to intervene earlier and help nudge customers back into the safe zone as often as we can. Within that, I'm with Lee in that I think helping customers recognise the power of the tools is a way of making it formal for them in terms of their control.

We do know control is everything for the customer. They love the risk that goes with their gambling, but it only stays as entertainment if there's control that goes with it. A lot of customers use really informal control mechanisms but if we can get to a place where they're using the tools more, that's going to be hugely positive for them and ultimately for us as well. Which means it does take us into the place of removing the stigma.

At the moment, a lot of customers think of tools as something that you use if you've got a problem. If we can get to a place of making control feel normal for everyone, by using our brands, using our marketing, using our communications with our customers to really make it feel normal for them to be doing that, I think this will be a hugely powerful way to help more and more customers stay in control for the long term.

Adam Rivers: That's a great point. Something that came out in the Gambling Commission paper on customer interaction was around taking away the feeling that customers have done something wrong and making it a positive experience.

Catherine Bachleda: From a research perspective, you've got organisations doing many things and a lot of data, but is that being shared? Is that being used and is that being applied from a scientific perspective? Because, once again, that gives you more leverage to say yes, we have tested this, we know our particular approaches are working.

One of the things we're looking at with the Centre of Excellence is that we have open source research outcomes. Quite often what happens, particularly with the University, is you have the professors publishing their papers, their research, in well-established research journals but the average person can't actually access the outcomes of that research. Our view is that we need open source, we will be promoting this and allowing everybody in the industry to have access to those research results. I think will help things move forward.

Adam Rivers: That's a lovely segue into our next topic: collaboration. One of the key themes in the UKGC's latest publication in terms of the strategy is around both operator collaboration and also collaboration with other stakeholders, for example, with the Commission. Sarah, given the role of Senet, how do you see the industry when it comes to collaboration and where could it learn from other industries that you've been involved in?

Sarah Hanratty: The journey over the past year regarding collaboration in the industry is taking off with speed, we're all seeing it. There is a risk that collaboration becomes an over-used word: the most important thing is tangible action and the change that comes from collaboration.

My own experience is from the alcohol sector, working with the Portman Group. We saw there that when the chief executives of leading companies come together and work in a really powerful partnership, solely focused on a social responsibility, the speed of change can happen incredibly quickly. I am genuinely so excited and optimistic to see the journey that I believe the gambling businesses are on, both here in Gibraltar and in the UK, with that collaboration agenda and that real focus – and that genuine, passionate belief that, as leaders of each individual company, there is pride in standing up and saying "We really believe in this, we want to be that force for change".

I'm delighted to have three of the Senet Group partners sitting around this panel today. I think each of those companies is doing phenomenal work themselves in terms of responsibility agendas, the "nobody harmed agenda". But it's only when we scale that up to a whole other level, when there's constant action and a constant agenda, that it really begins to get recognised there is an absolute belief that this is the right way to do things.

Really importantly, we need that effective regulatory framework and experience from other sectors shows it's only when that balance is right and there is a strong strategic framework, that chief executives, all of the companies and businesses, can focus round, really focus on that white light of action and genuine change. Focus on clearly defined areas with really strong and understood outcomes so we can all align around those areas. I think this is a huge moment, I think we'll be sitting here a year from now having seen another gear gone forwards. It's incredibly powerful, but it takes huge effort and it's not easy, and I think we all recognise that.

Paul Foster: The key thing with collaboration has been the conversations that have been going on at every opportunity. 12 – 18 months ago, compliance people dealing with Remote Gambling regulation and Anti Money Laundering regulations were stuck somewhere in a room and now we're out there we're talking to each other.

Day to day I talk to most of the leaders in other companies and we all have a passion to get this solved and to do something that matters. The ability to go and have a real conversation with somebody, where they're not going to laugh at you, they're not going to think you're slightly mad, and they're going to believe in what you say, is key. That's been the big change in the industry in the last year; that we actually talk, and we listen, and we're trying to make progress.

Lyndsay Wright: The collaboration across the industry has been phenomenal and, certainly for myself coming to this over the last 18 months, it's been fantastic to have so many good advisors and guides around all of this.

The extra piece on top of that, and part of what you're seeing on this panel today, is collaboration outside of the industry. I think collaboration inside the industry is how we get things done. I think collaboration outside the industry is how we learn. Because we don't have all the answers, we don't have all the expertise in our business that we're going to need to find the solutions to what is going to be an immensely complex problem. What a lot of people can help us to do from outside is to really face into the problem in a much more educated way.

Adam Rivers: We don't have a regulator on our panel today, but I'd like to ask the panel whether there is a role for the regulator to provide a reciprocal for the industry. While leading operators may be collaborating, setting out best practice frameworks and so forth, as Wes mentioned earlier there is a risk that there will be a long tail of operators that don't necessarily sign up to them – not least if they're not baked into regulation. That can potentially undermine some of the work that the industry is doing. It's a little provocative, but do you think there is a greater role of collaboration with regulators both in the UK and elsewhere in terms of putting things into practice?

Ian Ince: Absolutely. Regulators are key, and they need to collaborate and listen too. Paul was saying collaboration and talking is very important, but I think we need to listen to more people. Likewise, the regulators need to listen to the industry.

In my opinion there has been, certainly in the last 18-24 months, a "them and us" approach with some regulators. Not all regulators I hasten to add! Certain regulators have a very open approach, others have a less open approach and are taking more of a moral standpoint, I believe, when it comes to gambling regulation than an educated approach.

To that end, and harking back to Wes Himes again and his straw poll on whether the challenge is going to be the media or regulations, I think the trick we're missing here is that the media and public opinion are leading regulators to make decisions that are potentially not as well thought out as they could be. There are many examples of knee-jerk reactions. We are on the back foot - some would say, and I include myself in that, deservedly so for some of the actions of the industry in the last five years. We deserve some of the criticism, however not all of it and we need to win, or at least take a front foot in the media war. That would potentially educate regulators and they'll be less inclined to take a knee-jerk reaction to what The Guardian is saying or The Daily Mail, rather than what's actually happening across the industry, with YGAM, GamCare, Gamble Aware, research etcetera.

As everyone on the panel has agreed, a lot of good work is being done. We are working together. Again we can always do better, of course we can. As Paul says, we speak to each other on a daily basis, we collaborate, we listen, we learn, we go outside the industry. But we're not communicating it, we don't communicate it well with regulators and we don't win the media war either.

Adam Rivers: Nor indeed perhaps the customer war....

Andrea Lazenby: If you look at the UKGC, they've come out with their strategy, and they've alluded to bringing in tighter conditions around responsible gambling in Q4 of this year. So, from an operator's perspective, if we don't have a dialogue with them we'll have no impact on what those additional regulations are going to be.

As operators, we have to make sure that our voice is heard at the regulatory level so that we do have an impact and we can influence and share the good work that we're doing. Then, hopefully, when new conditions come in they're the right conditions.

Catherine Bachleda: Research is key to that. As I said earlier, everybody is doing something but how effective is it? That's the bottom line. If you're able to show scientifically this approach is effective, this approach is less effective. From a regulator's perspective, that's what they want.

Adam Rivers: We heard earlier that the University of Gibraltar is getting involved in research. It would be great to hear more about what's actually happening here in Gibraltar?

Catherine Bachleda: So we are working with the GBGA, setting up a Centre of Excellence. We will have a research Chair who is an expert in this area, and the aim is to utilise some of the data we already have and starting to look at what initiatives do work, and bringing it down to a practical application level as well. For example, you have many tools out there but which ones are the most effective? What is the best way to interact? You can do that in a number of ways, using high level neuroscience techniques or data analysis.

As has already been said, there's an awful lot of opinion-based arguments out there. Even choosing which particular training program to use is often a function of "well, somebody else in the industry happens to know this particular provider and they do a reasonably good job". But is there any actual scientific evidence to show that particular approach is working? That's what our main focus is, and a year from now, hopefully I'll be able to report back on some of the outcomes of that research.

Adam Rivers: You also mentioned earlier about data being open source, Catherine. We know the Commission are looking at that for certain types of data - has anyone got views on how that might work in practice?

Paul Foster: The key thing with data is we've all got lots of it. It's not easy to manipulate in a lot of cases, it's not easy to understand, and we are still a young industry, especially online. So we are learning all the time, just like the regulators are as well; we're all learning about what's important, and what it means. So data is there, it's all about which bits of data you're going to use.

The simple fact is you can't use all your data. I think the supermarkets thought it was great in the 1990s when they brought in all these rewards cards and said "Woah look at this great data!" But then they didn't know what to do with it. Sometimes we're the same. We have so much data and the only way we're actually going to be able to use it is to do the research, to work with partners who can understand it and then put it into practice. And that's not going to be quick.

Ian Ince: The data piece is an interesting one and there's a lot of future in it. We are pushing it and working with the RGA and others around it, however I think it comes with a health warning. We've got to be very careful here, careful what we wish for.

We've seen it in the past with blockchain. That was a buzzword three or four years ago in these conferences and if you read the article from today's Gambling Compliance on blockchain, that's all changed now. Then 18 months ago it was AI and now we're hearing an awful lot about data.

Research is important - and the speed of research is also important for the industry because the industry moves incredibly fast - but we mustn't leap on the emperor's new clothes each time. Each of these technologies have their benefits to the industry, to the customers, to all of us. But let's not just leap on the bandwagon and that's for all of us and the regulators out there. It's what you do with it and how you mange that technology that's important. Ultimately they are toolsets, it's what you put in and how you use the output of those tools. So let's not rush, let's do it in an intelligent, well-informed, well-researched, educated basis.

Adam Rivers: It's the old adage of "thinking slowly to move quickly" when it comes to complex data. It needs to be well thought through.

Sarah Hanratty: At the Senet Group, we've been piloting a project around markers of harm, building on the work of the RGA, looking at what might indicate problem play. That was a very practical and real-world example of us collaborating with five sets of operators' data. Just getting to a place where we could compare like-for-like was hugely challenging, and that had a very clear remit to it.

What good looks like in data evaluation, perhaps, is that there is a very clearly defined objective, an outcome that we're searching for. Then working very simply and in a structured way to come up with a solution to that because you're right, it's not easy. But when it can be focused really well, you get incredibly good outcomes.

Adam Rivers: Evaluation is of fundamental importance when you're thinking about investing significant time and resource in new research, new issues, new applications of tools and so forth. How do you evaluate whether or not the RG tool, for example, has worked in practice? We know the GC is going to be revising its guidance on evaluation going forward and that gives the industry a role in terms of input into the revision. Nevertheless it can be very, very complex. Lee, from a position of someone who has to evaluate day-to-day given you want to make sure YGAM is making an impact, how do you see evaluation and what can the industry learn?

Lee Willows: If I can just jump back to your previous question about the regulators, I think organisations like ours also have a duty there as well. For instance, we're doing a lot of work now in Parliament because, as an industry, you need to get the story back. The story is being controlled by a third party, as Wes Himes alluded to with the headlines from The Daily Mail and The Guardian.

There are a lot of untruths spoken in Parliament and there are a lot of politicians who are supporting particular causes, with again a lot of untruths being made there. For us, certainly working with operators and working with educators is a really good outcome because we want to get the work of YGAM onto the statutory book for education in the United Kingdom. It's not going to happen quickly, it's probably going to take three or four years, but that will be a wonderful opportunity to try and get the story back, but also demonstrate that impact.

To answer your question on evaluation, there are just two things that would keep me awake at night. One would be unintended consequences. So if we were talking to practitioners, supporting them to deliver a programme, say for gaming or gambling, is that going to have an

"Evaluation is of fundamental importance when you're thinking about investing significant time and resource in new research."

unintended consequence of loads of young people suddenly trying gambling?

The second thing that may keep me awake at night is how do you actually prove the value of education programs? At YGAM we've got a really good quality framework and we have had consistent, unrelenting scrutiny and evaluation from when we first started. And I'll just quickly summarise that journey. Becoming a UK Registered charity was quite a big step for us, it took six months, and part of the Charity Commission's scrutiny of us was because as part of my addiction regrettably I stole from my former employer, and that was a huge red flag for the Charity Commission. They spent six months going through everything at our organisation with a fine toothcomb, particularly looking at our accounts and accounting processes, looking at our Board of Trustees and the governance on risk controls. That was quite a tough time. And it wasn't certain if we were going to be given Charity Commission status - but we were.

Then we made a decision, if we were going to land a programme across schools in the United Kingdom, it had to have relevance for that audience. As some of you may know, what's relevant to a teacher or head teacher is things like City & Guilds, Pearson and EdExcel accreditation. We've invested a huge amount of time again working with people at Bet365, Microgaming, who supported that quality journey to make sure that we do have all those accreditations. It's really humbling because when we had the team from Pearson or the team from City & Guilds come in, that's five or six inspectors and they look really hard at your organisation and they've said consistently. "Wow!" They've never known such a small and new organisation to amass all of these accreditations because ordinarily they would go to big colleges or universities.

Looking at the impact and evaluation, we've also had two academic evaluations done, one by City University, one by the University of East London, looking at the teachers' view of our programme and the impact they believe it would make. We're now going to launch two more pieces of impact evaluation with Leeds Beckett University. One of those is going to be reporting back in the summer at another parliamentary event we are going to organise. Then we'd like to look at a big piece of evaluation whereby we can evaluate the programme amongst two-three million young people and have a sample size of 200 or 300 schools who haven't been through the programme to look at the differences. So we really want to work with operators to take that evaluation up a notch.

Adam Rivers: Some really interesting thoughts there. It will be fascinating to see how the industry starts moving to start building in the evaluation frameworks prior to launching initiatives. That will be an interesting step in the next 12 months or so. Let's see where we are next year!

M&A Panel

Moderator: Stephen Little

Goldman Sachs

Panellists:

Susan Breen

Mishcon de Reya

Steven Caetano

ISOLAS

Nigel Hinchliffe

KPMG

David McLeish

Wiggin

As always, the M&A panel generated a lot of debate on recent activity in the sector and around the drivers and inhibitors of future deals. With increasing regulation and changing attitudes to taxation in mature markets a significant influence, the panel discussed the wide range of reasons companies may be seeking to broaden or scale their businesses and the opportunities that may be afforded in new markets, particular the US and outside of Europe.

Moderator, Stephen Little, began by asking what the panel expected to see in the way of M&A activity in the gaming sector in the next 12 months.

Susan Breen: It depends on the territory – and the product and local regulation. Let's look at Germany very briefly. It is a bit of a regulatory mess. It is a hugely important market in Europe and there are some very big players there. With the interim sports betting legislation, the ban on casino, I don't think operators are going to do anything significant from a corporate perspective until there is clarity on what's going to happen in that market. Then you may well see some moves. There are some strong companies in the market and they are able to weather the legislative storm. Equally they have the financial bandwidth to lobby and change the shape of the regulation.

The US is of course a big prize for everybody. Given the structure of that market with strong indigenous players, the way forward is likely to be a continuation of strategic partnerships. You've got to have one of two things: a lot of cash behind you to do deals and the stamina to be able to withstand what is a midterm play.

The UK is a tricky one. It seems increasingly likely given the focus on compliance that, for the most part, there is only space for the big players in the UK and potentially we are going to lose some of the smaller operators. It's not just the regulatory challenges but it's the competitive landscape in the UK.

Nigel Hinchliffe: I would agree. Regulation will be both a driver and an inhibitor of M&A at the same time. Obviously we have been through this period of mega-mergers and now people are taking stock. That's not to say we won't see another one out there but people are slightly more sceptical of the synergy and scale play given what we have now seen. You can look back with hindsight: GVC is trading value broadly at what it paid for Ladbrokes Coral, significantly less than what it paid for Ladbrokes Coral and Bwin in total. Paddy Power and Betfair have just come out of the end of a two-year plus integration and platform migration which hasn't gone as smoothly as anticipated. We are now seeing a significant execution risk around synergies relating to these large mergers. That's part of the shift to strategic bolt-ons which is where we are at the minute. People are looking to new markets and new products as being more important perhaps than just scale and synergy.

The other area of interest going forward is the B2B supply chain. There are certain pockets within that which are becoming very interesting. We have seen a lot in the last 12 months around data and content so Sportradar, Genius Sports, performance content and assets - there are some very large transactions in that space. It is clearly a high growth segment within gaming and, no surprises, we have seen a lot of private equity money coming into that space in particular. That's another area that I would probably flag up as one we'll see more of in the future.

Stephen Little: There's a lot of talk about scale and big players and that being the future of the UK. Is there a place in this market for a mid-size player in the long term?

David McLeish: There is. A key focus that's coming through in the regulatory changes is what's likely to happen around advertising. What may happen around certain restrictions, such as responsible gambling and affordability issues which are being looked at in the UK, is that product differentiation will become increasing important. That is the way that people will have to show that they are more nimble than others and that's where the mid-size players can be more nimble, more agile and more creative in what they do. They haven't got to turn the big ship to get something moving in the right direction. There is an opportunity there.

The point you raised about data companies, there is a combination there with private equity and lots more private equity coming to the markets. It's something that they can get their head around, its B2B, it's relatively stable, it doesn't have the same regulatory risk as with gambling software suppliers and that's why I think the private equity money is coming. To look at, for example, Bridgepoint taking Cherry private, although that's a company with mostly European revenues, it's not all regulated market European revenues. Private equity is going to come to the fore because people are now more comfortable with regulatory jurisdictional risks than they were. I still think Asia will present a bigger challenge for private equity.

Stephen Little: Focusing a little more on Gibraltar, what are the trends you are seeing in M&A involving Gibraltar and, secondly, how, if we do Brexit, and without talking too much about it, how do you think that will impact the M&A market for companies based here?

Steven Caetano: Invariably, whatever the trend is in the UK or worldwide, groups will have a target Gibraltar licence so the trends will also follow in Gibraltar. I mainly conduct Gibraltar due diligence on the Gibraltar target: its licence, its policies, operational and customer facing, its terms and conditions, the site contents and then we tend to seek regulatory clearance for any change of control of the target. The trend that I have seen - because there is such a concentration of large operator headquarters in Gibraltar – is a move towards having a full service offering. The midsize operators are looking for more of a niche offering to the customer but the larger ones seem to want to cover all the bases, make sure they have a full platform with the best possible chance of customer retention, customer conversion across the different offerings. You see the trend going into offering lottery betting, scratch cards and then at the same time sport events. Real event betting and virtual event betting is also popular.

Stephen Little: I have spent a lot of time talking to clients over the years about if America opens up will the big media companies, the big tech companies, come in? Companies that we think of as large like Stars Group and Paddy Power are actually minnows in comparison to a Google or to a Fox. In the light of the announcement of The Stars Group and Fox yesterday, do you think this is start of the big American companies coming into our industry?

Nigel Hinchliffe: First of all, the Fox announcement is a hugely positive one for the industry. I don't think any of us will see it as a massive surprise given the ownership and structure of that business. Clearly Stars are going to look to roll out the proven formula with Sky Sports in the UK over in the US. In terms of whether that is the trigger, I think we will see more activity along those lines. The other big one is ESPN. There is a slight difference there in that the current ownership structure will probably prevent that business from pairing up with a sports betting operator in any case. That said, you only have to look back at the last 12 months of activity in the US and the vast majority of deal activity has come by way of this joint venture or commercial arrangement. In some ways, this poses a bit of an issue for European operators as to how they can make the US part of their long-term legacy rather just be seen as giving the US casinos a bit of a leg up for the next couple of years in tech and operational expertise and then they can do it all themselves.

Stephen Little: There are only a few industries where America has allowed the majority of the pie to be taken by international firms. I could turn the same question around and ask about the Las Vegas operators. As Nigel said, they have so far very much been partners but there are some very large companies there and I wonder whether at some point they will strike and acquire somebody?

David McLeish: There is a tipping point coming with the number of states that are regulating where people are yet to do things. There is a flurry coming through now and the attorney general's opinion probably gave people a bit of a wobble, which I think most people are over now. This tipping point does come where businesses are going to be under pressure to do something because so many people are doing it. That is one the drivers for M&A: when people start doing M&A, other people do M&A because they think they have to. There are some lobby groups that won't want anything to do with this and others who will feel that they would rather commit their resources to what they know and it's still too nascent. There will be a shift, there will be more coming but I think it will come through this strategic partnership route, where people will be dipping their toe in the water because they are not quite sure exactly how it's going to play out.

Some of these structures are quite interesting in terms of commercial joint ventures which then turn into corporate joint ventures later down the line. People are being quite creative, thinking outside the box in terms of seeing there is an opportunity, trying to get in bed with the right partner but then looking at different options as to how they can turn that into something down the line if it beds down the right way.

Susan Breen: It's an economically, commercially sensible way to approach it if you look at the size of the US market, the number of local State law issues and within that the tribal compacts not to mention the different political views in relation to gaming. Now may be the right tipping point and what better way to approach a huge market like that than looking first of all at brand profile and customer acquisition. It's a soft landing for experienced and large overseas businesses.

However I think it's only for the big guys for now. I don't think the small to mid-size companies necessarily can afford market entry. Undoubtedly, there is an inexorable move towards opening of the US market generally. Now we've been saying that for the last 20 years, since some of the early IPOs in Gibraltar but there is a head of steam behind the sector and you can't afford not to be in the market if you are a significant business. A JV is a very sensible way and a media tie-up even better yet given some of the regulatory issues that we are talking about in terms of advertising.

Stephen Little: David talked a little about private equity interest. What do you think has changed in the mind-set of a private equity fund manager which makes them more likely to go into online gaming now than two or three years ago?

Nigel Hinchliffe: The US piece has probably acted as a little bit of a trigger which has probably brought the market to the attention of these private equity funds as much as anything else. Having said that, the regulatory pieces you touched on Steven still means that it's a no-go for certain credit committees of these large funds and will continue to be so potentially.

If you step back from it, though, this sector ticks almost all the boxes from a private equity perspective. It is a truly global industry, we operate in high growth markets, with strong cash conversion, asset light infrastructures: it's everything a private equity fund wants, notwithstanding the regulatory and compliance challenges that we've talked about. Therefore it's no surprise that we have seen them, this year, step down to that B2B segment, where they are then in position to take advantage of all the upsides that this industry has to offer, whilst providing them some downside mitigation when they are not directly exposed to regulation like some of the B2C operators.

Stephen Little: Steven, have you seen any private equity guys down here looking around and asking questions?

Steven Caetano: This question about private equity is always raised in this type of forum. I have certainly not been able to spot them walking around Ocean Village but, yes, the interest from the private equity sector has been there and gaining over the last five to ten years at least. We've seen the interventions they have made which have been very significant. As David said, M&A activity drives more M&A activity, it's a snowball effect. New money coming into the industry is always healthy in terms of growth. I expect this trend to continue.

Stephen Little: Another point to add has been the availability of financing. Going back to the Amaya days when they showed you could put huge amounts of debt against an online gaming company which suddenly puts you in the spotlight for your average private equity chap.

> "The US is of course a big prize for everybody. Given the structure of that market with strong indigenous players, the way forward is likely to be a continuation of strategic partnerships."

Susan Breen: The psychology of private equity companies is interesting. Looking at the Cherry deal, if you put to one side the regulatory risks, you are absolutely right that this is an industry that's right in the sweet spot for private equity. Their strategic model is relatively simple - buy, build and sell. Query whether the Cherry deal, with some great brands and pan-European businesses provides interesting options for Bridgepoint - where the individual parts are worth more than the headline price. Private equity is perhaps a slightly different psyche from the philosophy behind a large scale mega-merger psychology.

Stephen Little: A lot of this industry is still privately owned and there are some, without naming names, extremely large multi-billion businesses out there. How can these owners monetise that when they get sick of owning and running those family businesses?

David McLeish: There is a certain amount of flexibility that is given to privately-owned businesses in this sector specifically. You can move and change, and you don't have to justify yourself to anyone and you can do things very quickly. There's a realisation in some privately-owned businesses that there is a level of maturity in markets; as certain markets become saturated, they can move elsewhere. In the listed company environment, there is this constant chase for growth which sometimes diverts attention away from other things and causes people to take the eye off the ball. That doesn't happen in those private companies, that's their biggest advantage.

Steven Caetano: I'm sure there is a lot of interest in that sense. I would think the best way to cash out is to list the shares on the stock exchange. That's always a question when I talk to colleagues about privately-owned operations – (ie when are they going to do an IPO?).

Nigel Hinchliffe: The other thing to take into account is whether there is a legacy in these private businesses. While they might be the "be all and end all" for the current owner, does their family want to take on a gaming business for example? In our experience, that becomes the trigger point for looking at external investment.

Stephen Little: Looking back over the past few years, we have seen the emergence of companies from the Far East that were previously little known to us. Over the next three or four years, do you think the five of us will be spending time outside of our traditional markets where these companies are based?

David McLeish: Everyone is excited about South America, what is happening in Argentina and in Brazil. These are huge potential markets, probably quite tricky markets, markets where even the larger dotcom operators that don't have that much experience in, with the exception of a few. That represents a huge opportunity.

There was always talk about Africa and South America and which one will come first. The opportunity in Brazil is coming. Argentina and Brazil, they've got there first. They have got critical mass and people are sports mad there. The infrastructure is now there. But, again, it is a market where it is going to be very important to pick local partners. They are not markets that people are going to successfully enter on their own, they are going to have to partner up early and pick their partners wisely.

Steven Caetano: You can also possibly predict some influence from Latin-speaking operators who have a closer connection with those markets and cultural synergies. As a Gibraltarian, a British passport-holder close to Spain, I can see both the British values and Latin values from quite a unique perspective and I think the operators that will succeed most will be the Latin firms.

Nigel Hinchliffe: Everybody is focused on the US and I think South America is right up there. A lot of people see Colombia as the gateway to some extent, with the regulatory framework that is in place, but clearly Brazil is the big prize. It is inevitable isn't it, as European markets saturate further and the cost of operating in those markets goes up, that operators are going to make a move into these territories?

Susan Breen: I agree South America is an obvious one. Also Scandinavia, in particular once the dust settles on new regulation in Sweden. There are a lot of companies in the region but it remains a valuable market with some very experienced operators so the next couple of years will be interesting in Scandinavia. Europe also remains a key market. Businesses are still interested by the potential that is Africa. I definitely agree with you that the US has got there first but I don't think any of these other regions should be discounted. We could be flying anywhere at any point in time: it very much depends on whether you're looking at brand, at scale, at product or at a platform. It could well be that each of those markets will produce an interesting opportunity for the mainstream industry for a whole variety of reasons.

Steven Caetano: You could say that the world is getting smaller every day. I've also seen a fair bit of interest from Asian-based operators in the regulated markets in Europe, so that's another dimension. There are obvious challenges there, the regulatory challenge is the biggest one, but that's something that I didn't expect a few years ago. Over the last couple of years I have seen a fair bit of interest from Asian operators, interested in Gibraltar as a jurisdiction in terms of the value of licence and wanting to know how to do business in Europe and Gibraltar. That was a surprise for me.

I can also see in the blockchain space and the learning technology that they are very advanced in certain aspects and I think we could take some benefit from their know-how and of course the access to the prize which is the market over there.

Stephen Little: Changing tack slightly, Susan you mentioned Sweden and the Scandinavian region. We've seen a lot of M&A between Israeli-based companies and London-based companies, relationships with America and so on. We've see very little outgoing Swedish M&A. There have been a few little bits but in terms of the volume of the companies there, I think there are 10 or 11 listed Swedish online gaming companies if not more, it is quite small. Any theories on why and whether we would see an uptake on this?

Susan Breen: I'm not sure we will and I suspect they are still grappling with, and trying to adjust to the new regulations. There is probably a settling in period of some 12-24 months for those companies to see where earnings rest and before they look at where the market opportunity lies. I don't see anything in the short term.

David McLeish: There are a few Swedish affiliate businesses. The affiliate model is coming under increasing pressure from a regulatory perspective. I can see there being consolidation in that sector. Everyone used to think of affiliate deals as someone writing their contracts on the back of a fag packet for a domain name but the larger businesses are so much more sophisticated. That is an area that is ripe for consolidation: it's the economics scale and the reputation. They are going to need to weather the regulatory storm.

Nigel Hinchliffe: I would agree with that because the affiliates inevitably fall into one of two buckets. Clearly as the big operators continue to rationalise their affiliate programmes and, in some instances, completely close them down, the super affiliates become targets for the operators to bring them in-house. The other bucket is the smaller ones who perhaps might have to consolidate amongst themselves in order to survive.

David McLeish: Looking on the B2B side with some of the Swedish companies, Evolution did a deal to buy Ezugi, a small live dealer business, primarily for its US contract with Golden Nugget. There are instances of Nordic and other businesses seeing an opportunity to do bolt-on acquisitions, almost with one customer or one jurisdiction in mind. That's a change, and it's mostly coming back from the US. You can see a situation where, with the need for diversity and things changing in a market like Sweden so quickly, you've made hay while the sun is shining now you need to use that money to get into something else quickly and M&A is going to be the quickest way to do it.

Steven Caetano: You may also see some development in terms of regulating affiliates within the space. Perhaps in Gibraltar and other jurisdictions that are active in gaming. That will bring another level of respectability within the online gaming affiliate business proposition – and again could stimulate more M&A activity within the gaming affiliate space as there is consolidation in that sector as well.

Stephen Little: One question about the European landscape. Some of the largest European gaming companies are the state-owned or state-controlled national lotteries, such as Française des Jeux, or the huge Spanish lottery just across the border. So far they haven't been that active in this space and while they are controlled by government and not yet privatised they have less ability to do certain things such as M&A. Personally I think things will change for a number of those companies over the next few years. Any thoughts?

Steven Caetano: The best thing for them to do is to appoint an operator from the private sector to run the operation and almost treat it as a brand. There are a lot of these very well-known houses within these countries which are fantastic brands for the local population and the government might not necessarily be commercially driven and have other things to worry about. So partnerships between the government and private sector would be the way I see that developing.

David McLeish: I think it's more likely to come about through privatisation. Look what happened in Greece, with the potential to swell the Treasury's coffers with some more cash during a trying economic time and hand over the keys to someone else. That's very much an opportunity for private equity to come in. Also fully 100% regulating market business. Theoretically, if regulation is relatively stable you can see that being a real opportunity. There is a problem with those businesses in state hands: the way they incentivise their staff doesn't really breed innovation so there is always that challenge for them.

Nigel Hinchliffe: You've got to go back to the fundamental drivers of M&A and innovation. Whereas in a public company clearly there is a need to report growth quarter-on-quarter, in a privately-owned company, you've got entrepreneurial people at the helm driving that business forward. With some of these state-owned monopolies, it's just not there, the fundamental drive is just not there in the same way.

Stephen Little: If you looked outside the online gaming industry at normal gaming, or at most traditional industries, it's normally a pretty safe bet to assume the winners today, the people leading the race today, are likely to be the winners in four-to-five years' time. Do you think that is the case in our industry? If we sit here in five years' time will the big five companies be the same big five?

David McLeish: I think several of them will be consolidating with each other over that period. That's inevitable the way things are going in terms of being able diversify across geography and product – and in terms of talent, which isn't always abundant in the industry. That's likely to happen.

These JVs in the US, if things pan out, will change the shape of things in terms of those tie-ups. You are seeing a shift with some companies in terms of the traditional view of some companies being B2B or B2C. That's changing very quickly. If you have a look at what is happening in the US, B2C companies here are effectively becoming B2B companies there. A company like Playtech, which was always seen as a B2B company, buys an Italian B2C operator – a lot of companies are becoming hybrids. It works for diversifying revenues, it works for a whole bunch of reasons but it does bring with it a lot of challenges in terms of managing that potential conflict between the businesses.

Stephen Little: When you look at other tech businesses, you tend to end up with one dominant player, or in certain other sub-sectors you end up with an oligopoly. Far into the future, long after we have retired, what do you think the industry will look like? Will it have one dominant player, or three or four, or will it still be like today where there is a huge range of people?

Steven Caetano: Maybe it will look like the menu on your smart TV where you've got Netflix and a few other limited channels. Very standardised, easy to access and mainstream within your sector. That's the way I see it. Perhaps with virtual reality and new technologies coming in, interaction with customers and interactive experiences as well. There isn't much really that they can come up with which they haven't already – it's just going to be easier to access and more seamless.

David McLeish: I don't think there will be one. There is an interesting dynamic in this sector in that the relationship between the operators and the customers is still seen to some degree as an adversarial one: the punters trying to beat the books, the books trying to rip off the punter. So customers do have more than one account and there will always be a demand for that. The very nature of the relationship is such that people don't just have one gambling account.

Steven Caetano: You also have to factor in the emergence of 5G in the next few years. As it's rolled out, that will have a significant effect on the available technology customer experience and the operations that are established around such technology. We will see how long it takes for 5G to take over the world but if and when it does, I think it will be much easier to know who is actually betting with the operator. That element of having multiple accounts should be eliminated by the technology, otherwise what is the point?

Nigel Hinchliffe: We will clearly see further consolidation. The gambling industry is slightly different to big tech in that we have different regulations in different markets and we won't quite see the same transition. The US is probably the game-changer to some extent in terms of how some of those commercial arrangements play out. Clearly history would dictate this sector has a chequered past with JVs as, at some point in time, somebody tends to want control. Whether that becomes another trigger for the US taking control of those entities and then investing in Europe, who knows how that might play out?

Stephen Little: With the exception of really experiential gaming, such as casino gaming where you want to go, have a drink and gamble on a roulette table, what do you think will happen to those companies that are now largely land-based gaming companies? Will they slowly wither and die or will they jump in and buy an online gaming company?

David McLeish: It depends on the market. For example for a business like Fortuna, which is so heavy in Eastern European markets, retail is still dominant compared with the growth of online across Europe. It's very difficult to just be a retail business anymore. It's difficult to run retail operations out of multiple jurisdictions and so it becomes very hard to diversify your risks. Online is inevitable. Just watching your customers slowly disappear to online operators without any channel to move them across, and having other people cannibalising your retail customers rather than you doing it yourself, is madness.

Nigel Hinchliffe: We will definitely see a smaller retail market. We are going to see a re-set on the number of shops in the UK over the next couple of years quite clearly.

But there is this social experience associated with retail gambling and there will always be a market there. One of the other interesting pieces to think about is the interaction with advertising restrictions that we talked about earlier. All of a sudden, if you do get into blanket ban territory, then arguably a retail licence might just grow exponentially in value because it facilitates your online sign-ups.

Susan Breen: It depends on the geography. The retail model works in the States and that's been the foundation for the online and digital bolt-on. The UK and European markets are different with a dominant online focus. It's a different experience again in Africa, the point of entry is both retail and online.

Stephen Little: Let's take a question from the floor.

(A question from the floor.)

David McLeish: Scale will allow you to invest in those kind of technologies, to use analytical tools. Bigger companies tend to be able to do that more easily because they can justify throwing resources at the regulatory compliance teams. When you are very small and trying to grow quickly, you just see it as a cost rather than a potential return. One of the challenges – and there is a lot of debate going around in the UK particularly – is about the need for the bigger companies to come together and start to agree things to prevent further regulation. So going for a basis of restriction rather than ban around certain areas. Is the whistle to whistle proposition that was brought forward enough?

We are at a tipping point now where the executives of the big companies have maybe a year to get something together that they can take to the Government and regulator to try and change this tide of media perception. It's going to be the bigger companies that drive that as they have the voice and lobbyists, people who can really demonstrate advancements in compliance and how they are protecting players online. Therefore it falls on those companies and that is actually a driver for consolidation, that ability to run a compliant business.

Susan Breen: I agree the big guys need to do more and they need to be more creative. It's not just about throwing money at it, it's about trying to find a different way to look at the issues facing the industry. This is where there may also be an opportunity for smaller and more agile companies which have developed interesting products to help deal with some of the issues that we heard about earlier today. For example, the porous nature of online activity and identifying where the risks actually are. Big businesses could look at taking the lead on some consumer protection issues and be as creative in the compliance area as they are in terms of getting new business and customers.

Nigel Hinchliffe: It comes back to that point that it needs to be a joined up effort across the entire industry. Going back to the previous point, if scale is the key to this we need to be very careful that harm minimisation doesn't inadvertently become anti-competitive and the smaller operators start to struggle because they have not got the resources. It comes back to that joined-up approach, sharing best practice, which again the industry has a chequered past on. We have only seen quite recently in advertising announcements that the big operators are quite rightly leading the way. It is a much easier argument when you have got a stable of well established brands and a big retail estate because it's not

them that are going to be pay the price as much as some of the smaller operators potentially.

David McLeish: In the drinks sector, the charge there was led by the biggest companies so it has to be replicated here. That's the only way it's going to work: you're never going to get everyone to agree on areas like this and there are some people who are not engaging at all. It's the list of companies with big CSR programmes with big responsibilities; there may be vested interests which play a part, but they're the only ones to drive the debate quickly enough to make a difference.

Stephen Little: Does anyone want to give a prediction? Something we can put up on the board this time next year and see whether we are right?

Steven Caetano: Will Brexit happen and, if so, what shape will it take? Have operators already done what they had to do to prepare for a hard Brexit? If it doesn't happen, what they will do to cater for the fact if it doesn't happen? The Brexit question, that's the big one isn't it?

David McLeish: Private equity buying shops people are looking to dispose of and taking on an online business and using that brand for those shops over time, effectively a new retail online entrant in the UK.

Nigel Hinchliffe: I'd probably go back to this data and content segment. I can't help but think, as the breadth of markets increases, data will become more fundamental. Clearly private equity has spotted this already and invested. I think we will see even more consolidation in that space.

Susan Breen: Probably B2B and B2C businesses will get closer, coalesce and consolidate. I would not be surprised to see tech platforms and operator facing businesses working more closely and we are likely to see more tie-ups in the next 12 months.

Stephen Little: I agree with all of those. Thank you to the panel and thank you for listening.

B2B Panel

Moderator: Simon Bernholt

Wiggin

Panellists:

James Elliott

NetEnt

Trevor de Giorgio

Greentube

Justin Cosnett

Continent 8 Technologies

Neill Whyte

Microgaming

While it's generally B2C gaming businesses that continue to make the headlines, those focused on B2B clearly play an essential role in the eGaming sector supply chain. Key issues for B2Bs at present include intellectual property rights, innovation in game design and development, hosting and the renewed interest of regulators in their business models. Drawing on the wide knowledge and expertise of his panel, Simon Bernholt explored some of the hot topics in this space.

Simon Bernholt: Let's start with a very broad question: what are the major IP issues facing game developers at the moment?

Trevor de Giorgio: On the IP front, we're experiencing two similar but distinct issues right now. First we have what we call the cloned content, where you have operators or suppliers, based in jurisdictions which do not enjoy the highest regards, who are literally ripping off the content. They are copying the content of regulated suppliers who have a good reputation, and delivering it as if they are that supplier. Within the Novomatic group (Greentube is the interactive arm of Novomatic), we have literally a list of thousands of websites which are delivering illegally cloned Novomatic content.

That's one aspect and the other is the copycats who have similar content that, whilst not exactly the same, is just close enough to give the impression that it is one and the same thing. We have these two challenges right now.

The first one has a number of difficulties because it's a reputational issue. You have a number of regulators who you need to educate about this reality and we have had a number of instances where regulators tend to shoot first and ask the questions later.

After we had a couple of instances where we received formal warnings from regulators in a number of jurisdictions, Italy and Australia just to name two, we decided to take it a step further ourselves. So we have proactively met with regulators. We have shown them the difference between what our games are and what these clones are, and then we also ask for their help in flagging any of these similar issues so we can try and assist. Most of the time we would have an internal investigation going on but we would also try to take legal action in certain jurisdictions.

There is also the reputational risk with the player to consider. The player believes that he is playing a certain game, which is advertised at a particular return to player (RTP). But in reality the RTP on the cloned content he is playing is perhaps 30-40% less than as advertised. So the game and also the supplier gets a bad reputation.

James Elliott: Similarly, we have got initiatives within our company to try and bring these clone sites down. To the untrained eye, you wouldn't be able to tell the difference between the real version and the fake version but there are ways of being able to identify them by looking at the server from where the game is being served, and things like that.

What we're battling with at the moment is that while we can send notice and takedowns to the ISPs that are hosting these games, that's probably not enough. What you'll find is that within probably 10 minutes of that being taken down, they'll pop up somewhere else on someone else's URL. So we do keep an internal list of the domain names where we know the fake games are being served, and we're thinking now of bringing out a "look up" on our corporate site which will allow people to ask "Is this a real NetEnt game or not a real NetEnt game?" That in itself is a quite difficult task from a B2B perspective because it requires us to get all of our customers to tell us which URLs they're using, and that's a big job.

On Trevor's second point about similar content, we're talking now about games that we would call "inspired by". It's probably no secret that there are a number of B2Bs out there, content providers, that like to be able to trade off the goodwill and the reputation of top titles of people like Novamatic, Big Time Gaming and NetEnt. The challenge I have, as an IP lawyer, is looking at what it is that we can use, the intellectual property rights that we have to our games. Clearly we have trademark protection in the game name, because that's what brings people in, and we've seen a number of different trademarks that sound the same but aren't identical.

I'm not going to give any IP advice here today but it's the "likelihood of confusion" test. Does something that sounds the same, looks the same, even when you're looking at stylised marks, the actual logo itself, is that something that would cause confusion in the eyes of the consumer? At the same time, you're looking at things within the games. You're looking at whether the game mechanics, that are unique to a game, are potentially patentable. Is there a design right? It's now possible to register the design of a game, so you can take screen shots and say "It's going to have this look and feel". Then, obviously, there is copyright the code, should someone be blatant enough to go and copy the code.

So there is a lot of intellectual property that you can use to protect your games but when it comes to "inspired by" games, no-one is ever going to get an exclusive right over a Cleopatra theme or a vampire theme, because everybody's interpretation of a vampire theme is similar. Is it going to be Dracula? Whose version of Dracula is it? It's bound to have people with fangs in it, it's bound to have people with blood everywhere. These are all things that make "inspired by" versus direct copy very difficult for us to look at. We are beginning to see people exercise their rights, particularly Novomatic and NetEnt where we're now sending out a message to the industry that it's not okay to blatantly copy our games. That's something that we want people to know.

Trevor de Giorgio: Before we were talking about collaboration in the industry. Whilst Novomatic and NetEnt on the online sphere are competitors, we have established a cooperation on these matters, both on those which look like and the actual copies. During the last ICE, there was a stand of a particular company which was an exact replica of a certain sports book operator licenced here in Gibraltar. We also discovered they were delivering both NetEnt and Novomatic content, amongst others. We worked together on "cease and desist" letters and in a couple of days everything was brought down. They stopped delivery of that content. So there are instances where, as an industry, if we collaborate together we can get the results, and especially fix situations which are causing us harm.

Neill Whyte: If you look back at the history of the gaming industry, everyone looked for inspiration from the land-based guys, that's where the online world started. As you've got more volume [content suppliers], and everything else that comes with it, inspiration is something which is everywhere in the industry. Now we're effectively in a non-exclusive world.

In the old days of exclusivity, when you were the sole exclusive provider to a B2C, they would see games performing well in other B2Cs using other exclusive providers. So they would always ask you for "a game like that", that was just part of the exclusive nature. Now, in the non-exclusive world, what we're seeing is that the original will always win. Consider that you've got a casino manager who, on a weekly basis, gets 20 games put in front of him. He needs to pick two. Is he going to pick a very good "inspired by" game he already has live, or is he going to pick something that's fresh and new? Most of the time, the fresh and new games go live.

It has been a massive problem. The way the industry is moving, it'll become less of a problem. But the way to fix it is to be the first to innovate in terms of the games, collaborating in terms of making sure that as suppliers we work together, and lastly we have to strike hard where we do see infringements. We have to strike hard and fast. They'll pop up again but keep striking hard. We've got teams behind us, lawyers and compliance teams, and that is their job to strike hard.

Trevor de Giorgio: You also have regulators. In our experience, when we have taken this matter to regulators and explained the situation, we've found the regulators to be quite positive towards our positions. Obviously they have to await legal confirmation via court decisions and then take the necessary action.

Simon Bernholt: Neill, one of the ways that a number of companies have looked to make their games stand out is branded games and using the IP of a third party provider. From your experience, what do you see are the main opportunities and main challenges of doing that?

Neill Whyte: I think everyone understands what the opportunities are, and even more so in today's market, where you are under intense pressure from the regulators in terms of advertising. Everyone's got this perception that there's a massive problem with how we encourage future generations to come in and play online casino poker, bingo, and the various online products that are available. Branded content has been shown to do that. Depending on the brands that you license, they hit a certain demographic, they hit a certain target segment, and so branded content has always been a staple of the industry.

The challenge, certainly from our side, is that it's a longer process to get a branded game out the door than it is an in-house built game. Not just from a development perspective but from a licensing and contractual position. You can have multiple contracts per brand, as we found with our Terminator II online slot, for example.

On top of that, sometimes the assets that are given to us aren't good enough for the technology that we wanted the games to be played on, i.e. mobile devices. So we had to go through a big process of redoing the assets. With that you also have to pass the responsibilities in the contracts over to your customers as well, as there are restriction on markets, there are restrictions on promoting and advertising. So when the B2C customers are looking at promoting these games, everything has to get signed off and checked by the licence-holder. That takes time, it takes people, it takes up resources, and it's very manual.

James Elliott: One little anecdote from when we did the Jimi Hendrix slot. Obviously Jimi Hendrix has passed away but the estate is still around. I believe it was Jimi's sister who worked very closely with our art team to see if we could actually capture the spirit of Jimi Hendrix. So the design team was not just building the game, they were building it in order to be able to capture what a family member perceived that person to still be. I think it took us two or three goes of trying to redo Jimi until eventually, on the third attempt, we got that satisfactory moment where Jimi's sister looked up and said "You've got him, that's exactly him". That kind of thing, you never know if you're going to get that moment where you're going to achieve it.

Neill Whyte: We had a very similar example with Jurassic Park. We had to effectively reanimate the dinosaurs. Our art team took months and months, and they went to Stephen Spielberg because it was such a fundamental piece of the Jurassic Park brand that he wanted to sign it off. He did sign it off but the fact that you have the rights-holder sat beside you sometimes while building these games, there is a risk that things can get pulled very quickly and very close to deadlines and very close to go-lives. We've had instances where brands were due to go live one day and they were literally pulled that night because something has happened internally at the licence-holder or someone didn't like a graphic, or didn't like something within the game and it needed to be changed.

James Elliott: From a legal team perspective, I get the other side. A lot of these contracts with the brand owner will have specific obligations that we need to pass down to the operator. That can be quite frustrating because the operator will say "Well, hang on a moment we've already signed a contract with you, you want us to sign more terms?" And so there's an extra negotiation where they have to sign an addendum specific to the game which can take time, because with 150 customers you've got to go and get that addendum signed 150 times. So it's great to have a brand in there, it's a great customer acquisition tool but there's a lot of work that goes on backstage in order to make it happen.

Simon Bernholt: Presumably the clone problem that Trevor was talking about means that if a branded game is cloned, you have to then explain that to the licence-holder?

Neill Whyte: This is where we do work in partnership with the licence-holder. They are very protective of their brands; they've got legal teams that dwarf any of our legal teams. They will go after people. We don't worry about that. It helps us because they will more or less do that for us.

Simon Bernholt: These IP challenges that we've been speaking about, how are they impacting the innovation that you're seeing in the game development area?

Trevor de Giorgio: Trying to innovate by merely copying doesn't give the proper image that our sector deserves. By not having that proper image, you're not going to attract the best talent out there. That is one of the issues that we are finding in HR, the issue of reputation.

Reputation is lost or gained on a number of different fronts but the copycats and the IP issues don't help us in attracting that talent. It's a vicious cycle - and what contributes negatively to that vicious cycle is the continued negative press feedback, which sometimes is fed off stories linked to what are supposedly licenced operators but in actual fact aren't.

Take the Book of Ra, that's our most famous game. Now has anyone checked if that is a Novomatic-branded Book of Ra being delivered or is it something being delivered out of a garage in Russia? Because that's the reality: we have found games being delivered, being copied, in a number of jurisdictions. We have found them in Russia, we have found them in Costa Rica, we have found them in Curacao. The worst part is when you try to communicate with the regulator in Curacao, they don't even answer you, so you start questioning if there actually is a regulator in Curacao. That then leads to a decision from our end that we now don't do business with anyone licenced in Curacao.

That's the way we had to deal with that situation. We found someone doing the same in Italy which was easier. We managed to take them to court, we won the case and we won our damages. But still, because of that supplier, we had a warning from ADM , the regulator in Italy. All of this negative feedback hits reputation. It doesn't assist when you're seeking to get some of the best talent into the sector in order to innovate.

One could also talk about the amount of work being invested in developing the product right now in order to render it more compliant. The reality is that this is being done by the big operators who are managing to survive in this compliance-driven period, but you're not seeing a number of smaller operators out there, the ones who are actually driving the innovation in the early years of the sector. So I wouldn't say there's one specific reason, there are a number of reasons why innovation is lacking.

Neill Whyte: You're absolutely correct in terms of getting good quality staff: developers and graphic designers and everybody who's needed in order to build a game. When you look at younger and smaller suppliers such as Red Tiger and Yggdrasil, these guys are fast, they're innovative, and when you become a really big organisation, pumping out of a lot of content, you can lose that edge a little bit.

So to combat that, we turned it around – innovated internally if you like – and rather than have a big production line that starts and finishes with a game, we developed our studios strategy. This is essentially a number of independent studios that are each responsible end to end for a game. They've got complete ownership from start to finish, and that includes everyone from the admin person right through to the graphics designer and the tester. When you're hiring into these studios you almost position it that you're joining a start-up and, all of a sudden, the flow opens up again in the quality of resources. It has worked.

Simon Bernholt: James, how does NetEnt deal with innovation?

James Elliott: It is frustrating to see people think they are innovating by copying our games. There are so many other ways that you can innovate. At the moment I'm very impressed with some of the things I am seeing, like the Must Drop Jackpots and the Megaways, which is an incredible game mechanic that is being licenced out. You can benefit from coming up with a good unique methodology or game mechanic and then licencing that out to third parties.

There are also things we are seeing in the back end. Data-driven analytics, where we can innovate and allow our account managers to tell their customers where they think they can do better. Use of artificial intelligence and machine learning, where you can run billions of rounds of a game to see how a game is going to work well, whether it's going to work for different demographics. If something was appealing to one kind of person then maybe you can think about what else they would be interested in. That's very much borrowing from other industries like Netflix where they're using film recommendation engines: we can have game recommendation engines. So there are ways of innovating without having to go straight to the content itself.

> "The challenge, certainly from our side, is that it's a longer process to get a branded game out the door than it is an in-house built game."

Neill Whyte: Everyone seems to be looking for the next big bang, the next big innovative push, and I don't think it's going to come for a while. It's more iteration and taking inspiration, whether from Netflix or the online gaming markets with games such as Fortnite. There are concepts and features within those games that resonate with their players. They are going to be the future generations playing online gaming, so we've got to embrace those concepts and almost put them into the online games themselves.

For me, everything is going down the road of personalisation. Every customer is going to be treated as a segment and that customer, as with the Netflix concept, is going to have a different look and feel depending on their trends. That could be trends based on the information that a casino can see, or external trends on social media, the big data concept that we talked about, AI and things like that.

But it comes with costs – and not every player wants things to change. A couple of us here were at another conference in the last couple of days and a lot of people put their hands up saying their players wanted things to stay as they were, they didn't want to see different games every time they log in. They just want it to be exactly the same as it was the last time.

Simon Bernholt: Which is presumably why a lot of the popular games now are those that were popular 10 years ago. All of these great innovations and games need to be hosted somewhere. Justin, in terms of the hosting of game development, what are the main trends that you're seeing at Continent8?

Justin Cosnett: I'd say over the last six-to-seven years there's been a dramatic growth towards the use of cloud as a place to do development, big data analytics, staging environments, load testing and so forth. That seems to just keep continuing at pace.

We're having to connect lots of B2B and B2C operators to each other and certainly back to cloud, environments such as AWS or Azure and so on. That offers a great opportunity for the growth of this data or resource to be consumed and then destroyed or dropped without the kind of investment that used to be made in large amounts of infrastructure-hosted in different locations. I don't see that changing in any particular way in the future.

From a B2B perspective, in different environments – certainly in different regulated locations - there's a lot more collaboration and more aggregation. Plus more content providers linking in to both operators and other guys in this space, requiring to either sub-licence or obtain their own licence. It's a bit of a varied pattern.

Simon Bernholt: How does regulation deal with changes in hosting and the way in which the model is changing? Trevor, you are Malta based, what is the impact of the recent changes in Malta?

Trevor de Giorgio: The change that happened last August was more of a streamlining in Malta's jurisdiction. The B2C operations, which were previously streamed into three different categories, were finally streamed into one, which made more sense. The B2B supply was kept as is, except there was a matter of renaming and also a change in taxation.

The Maltese way of doing things is one way of doing things. You can see a number of different regulators which regulate the B2B and the B2C sphere in different manners. At Greentube we do both B2B and B2C. We're licenced in Malta on a B2B front, as well as in Gibraltar, Alderney and even Belgium. Belgium has what I would call the old Maltese model, where they've streamed all the different verticals into individual licences. So you've got a Class A to a Class F system. You then have the Italian regulator which doesn't actually regulate B2B, you have the Danes who don't regulate B2B, and the Spanish don't either.

Every single jurisdiction presents its own individual challenges, its own individual realities. Do they work? As operators, you have to adapt, and you put out the best product available according to the legal framework you're working within. In an ideal world, you'd have one system which is common, or at least similar, that we can use in all the different jurisdictions.

From a technology perspective, Malta has become a bit more flexible about where you can put your equipment, and also allowing an EU-wide equipment location. That helps for sure because you can then start consolidating your equipment rather than having a piecemeal approach in different jurisdictions which makes things more complicated, more expensive and more difficult.

James Elliott: Looking at NetEnt's needs, our customers are looking to expand into new territories. They are moving further and further away from Gibraltar. We're looking at potential for the Far East, Latin America, Africa, and of course servers hosted in Gibraltar will suffer latency troubles, you'll find that you're not able to get some of these big downloads. Some of the games that we offer now are very content rich and so we use content delivery networks for that element. So the ability or requirement to host everything in one particular jurisdiction when your players are taking part from many jurisdictions becomes a bit of a problem.

We'd like to see some kind of acknowledgement of the fact that content can be delivered from multiple jurisdictions, even if your regulator is regulating in one jurisdiction. That's one thing that we've heard from Gibraltar: that there's potential for that and the decentralisation of hosting, with of course some kind of replication or accountability back to the place that you're licenced. Another point about Gibraltar is that the legislation was originally written very much with operators in mind, with B2Cs. We know that there's work in progress to bring some understanding of how that applies to B2Bs as well. So you have got separate acknowledgement of B2Bs and B2Cs.

Justin Cosnett: I can give some sort of reverse insight for the US, looking at what you might call the new market entrants or competitors that you guys are partnering with and have not really dealt with in the past, like some of the daily fantasy sports guys. They're used to operating in a Netflix environment because they're offering something that isn't regulated. It's just entertainment, whatever way you look at it.

They're now coming to us to turn what they've always had in the cloud into something for a specific regulated environment. We're having to almost reverse engineer back to deliver. They've got Wire Act concerns, they've got regulatory geolocation concerns. There is a mismatch for sure about what's going on in different environments and where it is.

In the US, New Jersey, for example, does a disconnect test for every customer that gets a licence, and does it annually. So they literally pull the plug on the internet connection. If your game is still up, you're in trouble because it shows that your game is not running in the place that you say it is. I'm sure that market will go through second and third generation changes as well, but it's one of those frictions. Having the badge of the regulated entity means that it has to have some power, some access or some ability to control its regulated licensees. But it also needs to allow innovation and getting the customer experience close to the end user as well through CDA and replication mirroring, and all sorts of technological advances.

Trevor de Giorgio: Looking at our experience with B2Cs in European jurisdictions, we run our operations in Italy out of Malta. We have an annual visit by the Italian regulator. Their inspectorate body comes to inspect the site, to audit and

make sure that the games being delivered in Italy are being delivered from the setup which has been certified under Italian rules. So you have regulators which recognise that sort of structure. The EU is a particular reality where you can do that.

The reality we're seeing in the States, however, is for each individual state you need to have your own server infrastructure within the confines of that individual state. So if all 50 open up you're looking at 50 different set-ups. That's a lot of money - and in some of those states, there isn't the return. The numbers don't add up.

Simon Bernholt: We're nearly at the end of our session, so any last thoughts? Perhaps on how Brexit might affect your business?

Neill Whyte: There are clever people in our organisation who are understanding the impact of Brexit on us as a business. We are headquartered in the Isle of Man so we are in a unique position where we're in a dependency which has its own parliament and can pass its own laws.

For us it's more about resources, travelling off the Isle of Man into the UK to get to various locations, as well as bringing staff to the Isle of Man, specifically that might be from South Africa and with visa issues, passport issues, it will become tougher. So access to really good resources may be an issue but we just don't know what it's going to look like yet.

"Every single jurisdiction presents its own individual challenges, its own individual realities. Do they work? As operators, you have to adapt, and you put out the best product available according to the legal framework you're working within."

Brexit and Gibraltar

Mark Essex

KPMG

Mark Essex has been KPMG's go-to Brexit expert for much longer than anyone, including himself, might have envisaged. At the time of the Gibraltar eSummit, the UK was still at an impasse in the Brexit process with PM Theresa May's negotiated withdrawal agreement having been voted down three times. Mark began by reflecting on his experience on getting to Gibraltar for the eSummit, his flight having been subject to unknown delay at one point due to a French air traffic controller's strike. Unsure whether he would arrive on time or not, he had assessed alternative plans and realised that he was facing a similar challenge to his clients – should he take a sub-optimal position now or wait with his fingers crossed for a better outcome.

"Trying to make a decision in an uncertain environment can't be much fun. After all, if you listen to any media interview on Brexit, say on the Today programme, you tend to get a balanced panel. One side says "We told you once, we'll tell you again" or "It's the will of the people, have you not heard of democracy?" and all of those arguments. On the other side, it's "No-one voted to be poorer", or "If we ask people again now they know so much more, people will change their mind".

What you find in that baseline rally is that each side has about 20 of these arguments in their bag and you don't run out. So you never actually learn what happens when the unstoppable force meets the immovable object. You simply hear the same arguments again. It's very difficult to know how to make sense of it. I'll give it a go.

We have a deal. How many people have read the draft withdrawal agreement of 585 pages? (One audience member put their hand up.) One. I didn't. How many people have read the political declaration of 26 pages? (A few more people put their hands up.) I read that one.

It's interesting: there's pretty much agreement. There's certainly enough agreement in Parliament – on the draft withdrawal agreement. You might think well how can that be, because it lost by 50 votes at the third time of asking and it was worse before that? The reason it can't get through is because people are not sure about the political declaration.

There are people who disagree with the exit payment and citizens' rights but both the leaders in the Tories and the Labour party agree, in principle, on all of the things in the withdrawal agreement. But the opposition won't sign it because they're worried about what is going to be negotiated on the political side.

It is an outline political declaration: it's certainly not legal withdrawal agreement text, and it gives quite a lot of scope. They worry that this is a blind Brexit because they don't even know who's going to negotiate this part of it. So you can't rely on a personal commitment of trust, even if that was very likely in British politics at the moment.

It's certainly true that not all of the contenders for the job of negotiating the political deal are popular universally across Parliament. So the play we have at the moment is whether the opposition can nail down the political declaration enough that they feel confident that in any scenario they're protected from their worst fears, while at the same time those on the Government benches don't give away the flexibility that is actually holding their coalition together. Wrapped around all of that there's a layer of British domestic politics which is nothing to do with Europe, which makes all of that very difficult and unpredictable.

Any simple "Why can't they just agree? Why don't they just reach across the aisle?" approach is complex. You can probably boil it down to three scenarios:

Scenario 1: We sign a withdrawal agreement very shortly before June 30th. That means our MEPs don't take their seats, we enter transition, there's a summer leadership competition for the Prime Minister's job and we're in transition until at least the end of 2020. That's relatively benign for business.

Scenario 2: We don't agree, and we have this uncertainty until Halloween.

Scenario 3: We don't agree but something happens to stop it dragging on until Halloween, some sort of parliamentary intervention.

People tend to ask me "What are the odds on those?" I'm going to ask you what you think. (An audience poll shows that 78% of delegates believe a Brexit solution will not be agreed and there will be no resolution before Halloween.)

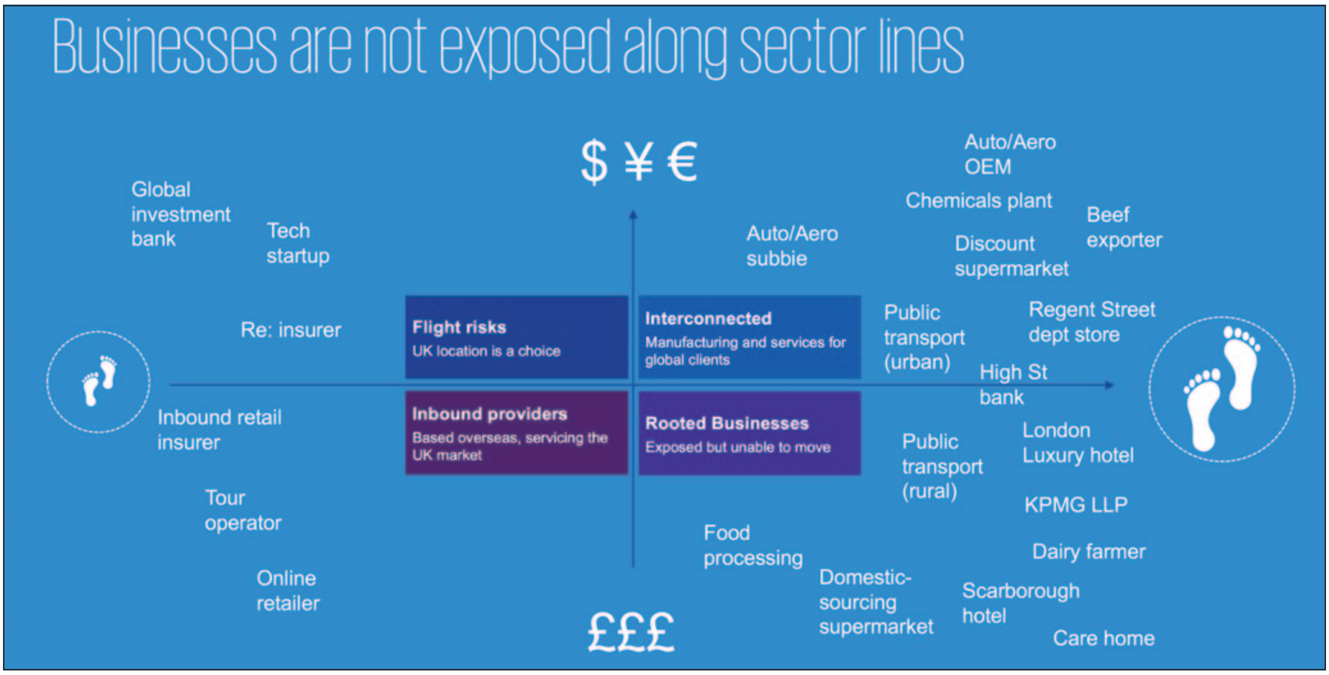
I had a sense that would come up the winner. There's not a lot of faith for the British Parliament to sort it out. And virtually no confidence that there'll be a deal.

Actually I think that Scenario 2 is the least likely – I don't know if you think that's good news or bad news! The reason for that is I can't see that there is the patience from Members of Parliament so I think it's Scenario 1 or Scenario 3. It's quite unpredictable but we'll find out who was right next year!

If it were Scenario 1, the Europeans would thank us quite a lot. Why is that? Imagine if we run these European elections and we send 73 Members of the European Parliament to Brussels. I don't think I'm going out too far on a limb if I suggest those MEPs, in the majority, are going to be fairly Euro-sceptic. Just imagine how that's going to feel in Europe when they start interfering with the process of the changing of the guard, disrupting the balance of power in the Parliament. We won't be thanked terribly much. If we want some goodwill for that second half of the negotiation, which must come eventually, there's something to be said for Scenario 1. But let's see.

Moving on to businesses and how they're affected by this. As I sat on the plane thinking about whether I should take a suboptimal outcome or just cross my fingers and hope, I really did feel for my clients who are doing that on just about every issue in their business. Take the workforce, for instance. It's hard to hire staff if you don't know where your revenues are going to come from in five years' time, and so on.

What's really interesting is that the exposure of a particular business is a really unique combination. There are no two businesses that have the same exposure, and what I find is they don't tend to follow sector lines or industry lines. A business's attitude and exposure to Brexit depends on what proportion of their revenues come from different jurisdictions, where their staff work, and their currency exposure. I had one client who was very bearish about Brexit but when the Government released what their



tariffs would be in the event of no deal, they said "Actually, that wouldn't be so bad". In fact they would have €100,000,000 of upside. So people are quite sensitive to some of these scenario changes.

So I don't think about the Brexit economy in terms of industry lines at all. I think about it in terms of a business's stance towards Europe. As I am a consultant at heart, I have constructed a 2 x 2 grid and I map the size of a business's domestic footprint across the horizontal, and the extent to which their revenues are international along the vertical (see above).

In the top right, we have businesses that earn their money from international markets, but have a high domestic footprint. Such as automotive businesses, who sell their cars overseas but who have got major infrastructure in the UK and so on. I call these interconnected businesses: they're highly dependent on frictionless movement of goods and trade. In the bottom right I've got businesses which I call rooted businesses: they serve the domestic market, they've got a large domestic footprint. You can't export a rural bus journey (although you can sell an urban one to a tourist which is why public transport in the more urban areas is more of an interconnected business).

On the left hand side of the grid, we have smaller footprints. Serving the domestic market you've got online retailers, coming from abroad and selling to British consumers. Then on the top left, you have the businesses with a small domestic footprint but high numbers of international customers. These are flight risks: businesses which are headquartered in the UK because it's convenient but that could move.

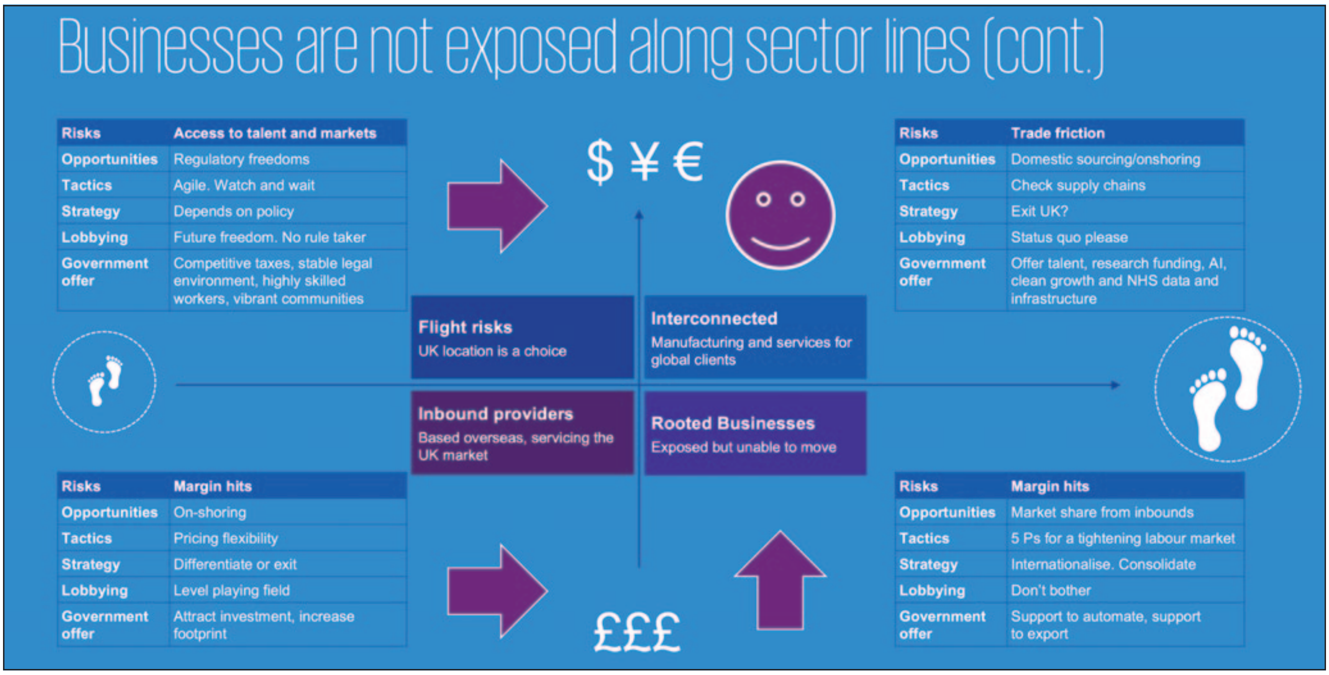
If you start thinking about the world in those four segments rather than by industry, you realise that, depending on where you are, your friends might not be who you thought they were. It might not be your industry body that's the first person you turn to lobby for something in particular. If it's about access to migration, you might find that a hotel has more in common with a supermarket than a tour operator.

Some interesting anomalies turn up. I went to see a Regent Street department store and this is an export business: 60% of what they sell goes home in tourists' suitcases. They are much more concerned about whether Far Eastern tourists will continue to book their holidays nine months in advance. They're much more concerned about that than they are about the availability of checkout staff, which is very different from a domestic-sourcing supermarket. From the outside they're both selling biscuits, but actually they're very different businesses.

When we think about the market post-Brexit – and eventually we'll be in that world – we'll be throwing the pieces in the air and I'm not sure they're going to go back in the way they were in 2016. We need to think about our economy in a different way, in particular depending on how Britain navigates the next 10 years or so.

Before I move on to the strategies and tactics that each of these different types of businesses might adopt, I thought I'd ask you to get a sense of where the audience thinks they are on that grid. So, which of those four groups best describes your business? The flight risks, small domestic footprint with largely international customers: Interconnected, so international customers but with a bigger footprint. An inbound service provider: serving UK customers; from elsewhere. Or a rooted business. (In response 53% of delegates; chose interconnected,

> "When we think about the market post-Brexit – and eventually we'll be in that world – we'll be throwing the pieces in the air and I'm not sure they're going to go back in the way they were in 2016."



31% chose inbound service provider, 13% chose rooted business and 2% chose flight risk.)

So, let's look at the strategies that different businesses face. You will have seen on the previous slide (above) I had a beef exporter and a dairy farmer in different boxes. You have to get quite close to the cow to know which of those blocks a business is in. That's quite interesting because you might try to predict how a business will respond to Brexit – predict how well your contract negotiation will survive various events – and then it turns out they're not the business you thought they were because of their exposure.

Let's focus first on the interconnected and inbound businesses. The interconnected businesses, they're doing quite well at their lobbying of officialdom and Government. These are people arguing for minimal trade friction in the customs union; that's riding pretty high, it's doing better than Norway as an option. They're asking for lots of effort to keep the supply chain open and the Government has basically said "We'll open the door to Britain – we won't stop the trucks. But the Europeans might on the way back." There is quite a lot of energy going into maintaining friction-free trade. And the Government's offer to those businesses is please stay in the UK, we will offer you research and funding and talent and all sorts of good things. Government loves those businesses, and is doing what it can for them.

In the bottom left of the grid are the inbound providers. These are businesses not in the UK but serving the UK market. What does the Government want to do here? Well, it would like you to come and employ some folk in the UK actually. "Could you deepen your footprint here? We'd like you to become more rooted actually."

What do these businesses ask of the Government? Inbound businesses just want a level playing field in the face of Britain leaving the EU, and the potential to have its own regulations and perhaps state aid depending on the flavour of government. Most inbound businesses would prefer things are kept the same. "Please give us the same opportunities to serve your customers." If Britain's currency continues to stay where it is, or even decrease depending on the type of Brexit, effectively everyone in Britain takes a pay cut without damaging their living standards too much. It's cheaper to employ people in the UK than it was before and so they've got a competitive advantage against inbound service providers. So the strategy for them must be to think well how am I going to differentiate and compete with that?

Overall, I don't think we're going to go back to pre-2016 life, if anybody was hoping for that. We're not going to go back to a world where if something added to GDP, eventually a technocratic government would say yes because it made sense economically. That world is gone. George Freeman MP says we're facing a 1945 moment or a 1975 moment, where we're really going to see a change in direction for Britain and its economy.

So facing the uncertainty today, the strategy I definitely don't advocate is "Well, let's just ride this out because it will get back to normal". I don't think it will ever get back to normal. Discount rates for new investments are inevitably higher because the risk is higher. The length of time they will have, the certainty which you're seeking to return from those investments is less. So higher discount rates, more agility has to be baked in. Sitting around, waiting for it all to be okay, is just never going to happen.

"What do these businesses ask of Government? Inbound businesses just want a level playing field in the face of Britain leaving the EU, and the potential to have its own regulations and perhaps state aid depending on the flavour of government."

"Overall, I don't think we're going to go back to pre-2016 life, if anybody was hoping for that. We're not going to go back to a world where if something added to GDP, eventually a technocratic government would say yes because it made sense economically. That world is gone. George Freeman MP says we're facing a 1945 moment or a 1975 moment, where we're really going to see a change in direction for Britain and its economy."

The upside of that is that it can be quite empowering – if you believe that perhaps you're less dependent on the politicians. So don't do what I did this morning and scrunch up in Seat 1A, hoping for the best, but maybe act on your Plan B, and at least take a bit more control. That would be my message.

Let's just take one more poll. Which Brexit would you prefer? The options are:
1. We sign the withdrawal agreement and do 'Norway'.
2. We sign the withdrawal agreement and stay in the customs union with Gibraltar.
3. The UK leaves with no deal.

Or

4. Let's have a second referendum on the withdrawal agreement versus remain.

(Results showed 71% of those voting wanted the UK to hold a second referendum on the Withdrawal Agreement vs Remain, 15 % wanted the UK to sign the withdrawal agreement and remain in a customs union, 8% wanted the UK to sign the withdrawal agreement and remain in the single market, 5% wanted the UK to leave the EU without a deal.)

I thought that might be so. We don't need to stop the presses for that one! Does anyone have a question?

(A delegates asks whether Mark thinks a second referendum question should be about the withdrawal agreement or remain, or whether it should include something else.)

It's really tough this question, and that's one of the main reasons I don't think a second referendum would happen. The main barrier is the intellectual barrier: what would the question be? Because that question if it is about the withdrawal agreement or remain would not satisfy the no deal contingent. They're pretty vocal and what would they do? Would they boycott the thing? Would they protest? Would they say tell them again? It's very difficult.

There are no good answers because if you make it deal versus no deal, the remainers will feel excluded. Remain versus no deal will also split the leave vote, and any of the three-way options get very complicated and probably wouldn't pass the Electoral Commission. That's the reason, I'm sorry to say, I don't think it's going to happen. You've put your finger on the blocker – and I've just hit the end of my session so thank you very much for listening, and best of luck with the aftermath.

Fireside Chat: Future licensing and legislation in Gibraltar

Moderator: Andrew Lyman

Government of Gibraltar

Panellists:

Peter Isola

ISOLAS

Peter Montegriffo QC

Hassans

Andrew Lyman is the Executive Director of the Gibraltar Gaming Commission and made his first appearance at a Gibraltar eSummit last year when he had just taken over the role from Phil Brear. He has certainly been kept busy in the intervening 12 months, as he explains in his introduction, and is likely to remain busy for some time to come as regulations continue to evolve in the eGaming space. In this session, he is accompanied by two longstanding and highly experienced legal experts, Peter Isola and Peter Montegriffo QC, to look ahead and debate what regulation may look like in years to come.

Andrew Lyman: Those of you who are regular attenders of this conference will know that there has been an intention to reframe and reshape the Gibraltarian legislation around gambling for some time. Two things have got in the way. The first one is Brexit, and then certainly on my arrival some 14 months ago there was also a need to reshape the gaming law and certainly the gaming tax law, to ensure it was EU compliant. Of course you will now know, certainly if you're an operator, that we've reframed the gaming law and we've taken off the cap and collar and we now have a progressive approach to gaming tax, where gaming tax is charged at 0.15% and B2Bs don't pay gaming tax.

In 2016, the two Peters I have with me today and two others, Peter Howitt and Peter Caruana, were authors of a report called Vision for Continuing Success. This was a report which concluded that the law on gaming needed to be redrafted, and also the underlying advice and possibly regulations needed to be redrafted as well. The principal finding was that we might move away from the current licencing position, which was all around location of key equipment, and perhaps move towards a position similar to the legislation around financial services, which is all around "mind and management" being in Gibraltar. Or an either/or position.

What we want to talk about today is how we're now going to pick up the pace of that legislative change. But before we get there I'd like to find out from both Peters what their perceptions of the main topics in the industry are at present.

Peter Montegriffo QC: We've heard a lot today already with regard to general challenges that the industry is facing, be they technological or commercial, so I'm going to talk about two specific Gibraltar issues or risks. A year ago, it might have been argued there were two issues that might worry operators with a Gibraltar footprint. One was the frontier with Spain. How was that likely to play out given the Brexit scenario? Secondly, how forthcoming and cooperative was the regulator in Gibraltar going to be in allowing operators to plan for and restructure Brexit outcomes? Was it clear that Gibraltar was going to accommodate the flexibility that would be necessary to ensure that there were options open to operators as these variables played out?

I think on both those fronts the last year has been rather good. As those of you based in Gibraltar know, the language coming from Madrid has been positive throughout this period, that the frontier will not be used as a sort of pressure point in order to advance a broader agenda. That expectation is now bolstered by the results of the Spanish general election two weeks ago. This has returned the PSOE (Spanish Socialist and Workers Party) as the most voted party, albeit without an absolute majority. That is the party that normally advocates a more pragmatic approach to Gibraltar, and indeed had been the caretaker Government for the previous 11 months. So that augurs well for a continuation throughout the next couple of years, as all this plays out, of business as usual at the frontier. That is a very reassuring and welcome development.

On the second issue, which is how businesses have been accommodated in your restructuring plans, the experience there has also been rather positive. You have found from the whole of the Gibraltar constituency – from Government, regulator, professionals – a predisposition to make sure that we put into place mechanisms that give operators the ability to go down different routes, at different paces, depending on the outcome of the Brexit saga as it unfolds.

Whilst the process of reform predates Brexit – our gaming law goes back to 2005, so that's the better part of 15 years –

there's no doubt about it that Brexit brings a certain poignancy and sharpness to the need to revisit some of these issues. But the Gibraltar specific issues that might have concerned many of you have been handled reasonably successfully over the last year. We are in a good place, well located and well situated, to confront the undoubtedly complicated landscape ahead of us.

Peter Isola: I would very much endorse that. I find that, in a sense, Brexit has almost passed us by. We're all frankly a little tired of Brexit. But if you look at the concerns we had when we had the referendum and the continuing concerns today, it was and is Brexit and the frontier. The frontier is extremely important for the economy as a whole, particularly for employees to make sure that that frontier can be crossed regularly.

I feel that the Government has made tremendous strides in this area, not least the UK and Spanish Governments signing a tax treaty with respect to Gibraltar. The reason it has been signed is because it unlocks the frontier: it puts the frontier on the back burner in terms of being an issue, so that's been very positive.

The Spanish tax treaty raises all sorts of new issues, especially for HR and those involved in dealing with employees coming across that frontier every day. Those 13,000–15,000 people will need to perhaps take a closer look at what their tax affairs are like in Spain. But in terms of a critical element, every year since 2016 we've asked the question what is the biggest concern of our operators and it's been the frontier. So it's very important that that issue has been dealt with.

The other reason I say that in a sense Brexit has passed us by is that operators have reorganised themselves to be able to provide services into the EU. So, in my view, the concerns of the operators today are not frontier-related issues but really where do we go from here? Particularly in terms of evolving the Gaming Review that we had undertaken in 2016 and we were unable to take forward because of Brexit. That pause in time has actually been beneficial because we can now readdress the proposed legislation itself and also take into account the needs of the B2Bs and find a way that we can accommodate operators who need to use the cloud while ensuring a balanced outcome for the jurisdiction.

> "In a sense, Brexit has almost passed us by. We're all frankly a little tired of Brexit. But if you look at the concerns we had when we had the referendum and the continuing concerns, it was Brexit and the frontier."

Mark Essex spoke previously about footprint, and footprint for Gibraltar is very important. What's the give and take in the industry? If the Government gives in one area, be it cloud or whatever, how do we then measure the footprint? Because it's very important that the footprint remains significant and obviously a lot of operators have invested heavily in Gibraltar, and we want to ensure that you get that balance. We need a level playing field, but one person's level playing field can be another's unlevel playing field. So there are issues that we need to tackle, and we're very much minded to tackle and improve them. So I think this Brexit pause is actually quite useful for the industry, for the Government, and for ourselves as advisors.

Andrew Lyman: There's no doubt that there has been a welcome pause but we've now got to a point where we can't delay this proposed legislative change for much longer. I see this conference as the catalyst to kick off a very focused piece of work starting in June and running over the summer months. So, hopefully, if the Brexit landscape is clearer by the autumn, we've at least built the foundations of being able to implement the legislation sometime early in 2020. I'm certainly wrestling with a number of issues. There is definitely a clamour in the industry for us to move to a more tech neutral position. There is also an element of tension in that we've had to grant specific exemptions to allow businesses to be able to access European markets and plan for the worst case scenario. Now people are saying you've got to move to a tech neutral regulatory position but what I'm wrestling with most is what we use as the trigger for Gibraltar licencing. Do you think it's as simple as just moving away from the location of key equipment here to more "mind and management" or is it more complex than that?

Peter Isola: As with all things, it probably is more complex than that. One has to find a balance that is somewhere in between being totally tech neutral and making sure that the regulator has the capacity and the capability, and the gaming company has the footprint in Gibraltar that makes it economically beneficial to Gibraltar. I like the footprint analysis from Mark: I think that's very significant in terms of what Gibraltar will be looking for in trying to find the right legislation. Also making sure that any latency issues, to the extent that is needed for B2B games and graphics, is properly catered for because we must do that.

Peter Montegriffo QC: We've got to remember where we come from, and where we are at present, as far as Gibraltar legislation is concerned. As many of you are aware, under the 2005 model, we still have the very primitive single licence for a remote gambling operator. It doesn't talk of a B2B or B2C operator, it simply talks of a remote gambling operator. That is triggered on the basis of location of equipment.

There's actually nothing mandatory in the law that says all of your equipment has to be in Gibraltar. The law is rather the inverse in its approach. It simply says if you have a piece of remote gambling equipment, you require the licence. But it's not just about the technology and about the convenience to the operators or to the client, important though that is. There are other issues to do with substance, beyond simple economic benefits to Gibraltar.

The world today, even in tax terms and regulatory compliance expectation, is very different to the way it was 15 years ago. Some of the models that other centres adopted as hubs, which allowed almost 100% outsourcing to other centres, are probably impossible to justify in the modern world. We have anti-avoidance and taxation rules that are becoming much more sophisticated. The review requires a new calibration of licences to make the business

more workable and to make governance more up to date. We looked at a whole range of potential licences beyond B2B to support service licences and the policing of the perimeter. There are reputational risks that places like Gibraltar have managed to cope with because of the nimbleness of regulators, not because there have been powers that have facilitated intervention. We have to be more zealous in properly managing those risks. It's in our mutual interest, and therefore the review of the legislation is long overdue on a number of matters.

You'll be aware the Government consulted with the industry shortly after the publication of the Vision report. With particular issues, such as B2B, it would be a good idea to have a renewed consultation, and picking up on Minister Isola's comments this morning, I would urge Andrew to ensure that process takes place promptly. It's important to have the feedback early on if we're going to meet our new timescale.

Andrew Lyman: One thing that I've already learnt is that I'm certainly not going to make everybody happy. Different regulatory authorities have different approaches and I often have meetings where people say "Well shouldn't whatever X is doing be licenced in Gibraltar?" and then you look at the basis of licencing at the moment and you discover that, no, it shouldn't be licenced in Gibraltar. Then there are people who have invested significant resources in Gibraltar in terms of IT infrastructure, offices and people, who say to me "It's not fair that X hasn't made all that investment here" yet on the other hand X says to me, "I want to be on the cloud". It's sometimes very difficult to get a concerted view of what the industry wants and I think the GBGA has quite a big role in that.

Certainly we need to engage in some very serious consultation over the next 2-3 months in order to be able to get to a regime which makes sense for the jurisdiction, as well as assisting the commercial aspirations of our operators. Gibraltar has traditionally had quite a risk averse licencing regime. It's only licenced blue chip operators with a track record in other jurisdictions. Recently it's started to licence substantial, well-funded and well-managed start-ups. Do you think that it's time for Gibraltar to become less risk-averse, more commercial and, for example, start looking at the Asian market and what it might be able to licence in that direction?

Peter Isola: I'm a great believer that you should licence and regulate. Therefore, from that perspective, I guess Gibraltar has always placed a very high barrier into coming into the jurisdiction, and that high barrier is only allowing relatively blue chip companies to come in. I would be in favour not of a more relaxed approach but of a preparedness to licence companies, but then ensuring that there's good regulation and ensuring they comply and they don't have any unfair advantages.

Regarding the Asian issue, you get into anti-money laundering issues, and how those would be handled by licencing operators into Asia. Would they be meeting Gibraltar AML requirements? So there are interesting issues in that, but yes I would certainly favour licensing start-ups, licensing new companies and then ensuring that you regulate them.

Peter Montegriffo QC: I would agree with that, and as Andrew pointed out there has been already a move in how appetite is assessed, albeit modest and small, but there has been a shift in the way appetite is looked at.

In a post-Brexit world, a lot will depend on how the UK and then Gibraltar will want to position itself. Will we become a Singapore offshore Europe? Are we going to remain aligned to the Single Market? We talked about a customs union for Gibraltar but of course we really want a single market access for services. That would have an impact on appetite and on predisposition and on the development of new work.

Obviously, what we don't want to do is something that is so cast in stone as to make it inflexible to the need to respond over the next few months/years because all these variables are not going to be settled in the course of the next six months to a year. In general terms, we have to be a little more open to a bespoke risk assessment, rather than simply sectorial or stratified risk. The way these matrices are written are quite unhelpful. Every organisation, every proposition, every product is different and we will simply need a more sophisticated approach to risk management in the new world we're moving to.

Andrew Lyman: One possibly slightly controversial point for some people in the audience is that a lot of our operators have a big UK-facing market. The Gambling Division here has signed a Memorandum of Understanding with the UK

"Gibraltar has traditionally had quite a risk averse licencing regime. It's only licenced blue chip operators with a track record in other jurisdictions."

Gambling Commission and, if you look at the experience of our own Financial Services Commission, it's moved towards more regulatory alignment with the UK. Is that a direction that we should be moving in?

Peter Isola: In certain areas, such as responsible gaming and safe gaming, it's inevitable that we have more alignment and that's something that we need to look at. With the FSC, you're talking about EU directives etcetera which you have to implement, so that's different. There's much more flexibility in how we can draft our legislation. But in responsible gambling and safe gaming it's happening anyway because of the level of UK facing business. So closer alignment, ensuring that people don't have to look to such an extent at two pieces of legislation, would be helpful to operators. Again, that's something that one would have to discuss and get feedback on but it's happening.

Another thing about responsible gambling and safe gaming, which has happened with financial services, is that when regulation comes in you don't like it but in fact it tends to help your business, it becomes more efficient. If you know your customers better, you can target them better and you can save marketing costs so there are benefits to be had from developing this area as well.

Peter Montegriffo QC: I would agree, subject perhaps to a number of caveats. Firstly, if you are going to have alignment because by alignment with the UK you are adopting best practice, then I agree. Now that may not always be the case. There's an argument that if the industry doesn't win its communication challenge with policy-makers in the UK, it could get to the point that UK policy starts to become not best practice in a commercial sense. So, yes, aligned with the UK makes a lot of sense, it's our major market, but on the premise that it represents best practice, which I think is currently the case.

Secondly, as Peter alluded to but I'll make the point more specifically, usually when you have alignment, in an EU context in particular, it's because it comes accompanied with access to that market, usually in financial services within a so-called passporting regime. In other words, a Gibraltar licence, say in banking, allows you to do work in the UK or in France or in Spain on the same basis. You normally don't align unless there's some sort of reciprocal benefit in your favour.

If one benefit of Brexit - and I'm yet to be persuaded – is supposedly that you take back control, and in our case that doesn't mean control by the UK, it means control by us, we have to make sure that we don't lose control. That we align ourselves with best practice, we do that in a way that facilitates UK business but not in a way that makes us simply a vassal state of the UK because we slavishly follow UK lines. Alignment must involve a quid pro quo, as in financial services it might well be because you'd have reciprocity of licences or automatic recognition. Alignment, therefore, needs to come as part of a wider discussion to be had, to make sure that in the round it makes sense and stacks up for both sides.

Andrew Lyman: One final question and it's around governance and operation of the Gibraltar Gambling Division. At the moment it's part of the Ministry of Commerce and very much tied to Government. Whereas

the Gibraltar Financial Services Commission, for example, is an independent agency albeit under ministerial control. Do you think there needs to be any amendments to governance, or size, or frameworks, around the Gambling Division? Or do you think it's fit for purpose?

Peter Isola: It's definitely fit for purpose Andrew, but that doesn't mean that we can't improve it. I'm not sure we want to move into an entirely independent regulator. That would possibly be a step too far and not needed. The Financial Services Commission is set up because you need to have an independent commission in the EU etcetera. An agency, a halfway house, that gives an element of independence to the Gambling Commission would be a good thing, certainly to have its own budgetary responsibility and making sure you have the correct complement of people. Again that would be something that one could consult with operators about and take their views on board.

Andrew Lyman: We need to call time on the discussion now so I hope that's been useful. I'll be asking lots of questions myself over the next three months. Thank you to both Peters and I continue to rely on their wise counsel.

“Another thing about responsible gambling and safe gaming, which has happened with financial services, is that when regulation comes in you don't like it but in fact it tends to help your business, it becomes more efficient.”

Emerging Technologies

Tom Grogan

Mishcon de Reya

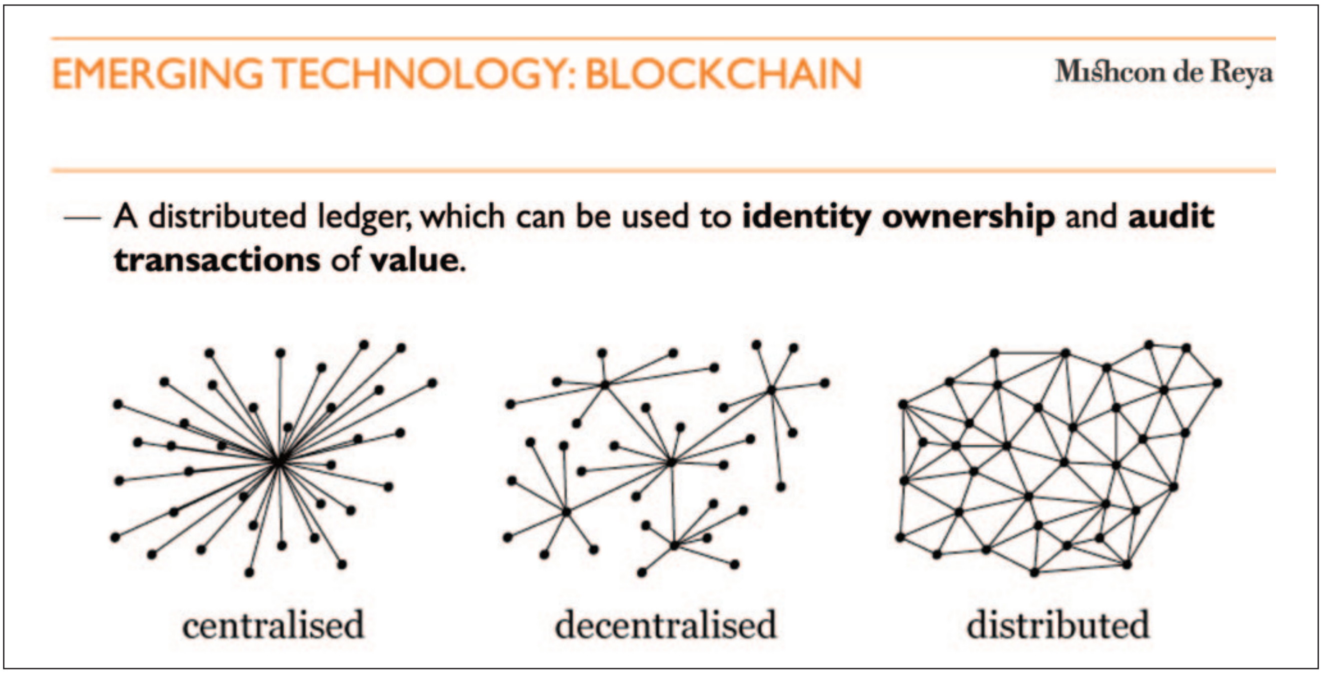
As co-lead on blockchain for Mishcon de Reya, Tom Grogan works closely with the firm's Betting and Gaming team on emerging technologies, and frequently engages with regulators, legislators and policy makers on this subject. Tom's presentation gave delegates a run through why they should be interested in emerging technologies and outlined the potential for forward-looking jurisdictions to benefit from them. Using some illuminating real world examples, he also demonstrated how the use of these technologies can help create an enabling environment for innovation and investment.

"Why should we care about emerging technologies? In many respects Gibraltar is the perfect venue for this talk. Gibraltar has positioned itself at the very forefront of innovation for well over 20 years, from the proactive approach they've taken to financial services in respect of DLT and crypto, through to being first movers in legislating for online gambling. The benefit of all of that background, and Gibraltar's forward-thinking mind-set and its tech savvy approach, is that for many of us in this room the question as to why we should care appears pretty facile. We broadly understand emerging technologies and their possible applications, and the benefits of those technologies just logically flow from that understanding.

The reality, though, is that this understanding isn't universally shared. The trap we often fall into in respect of emerging tech is that we're perceived as being a solution desperately looking around for a problem. We spend so much time wondering whether we can do these new exciting tech-enabled things that we sometimes lose sight of, or at least forget to articulate, why we're doing them in the first place. The real world purpose, the "so what", goes missing. Without this "so what", public sector bodies just don't care, and nor should they. Their priorities and strategic reasons for being are very much rooted in real world, big ticket items: economic growth, job security, health care, defence, an ageing society, homelessness, all the while trying to manage budgetary constraints.

Just talking about tech advancement doesn't excite the public either. Arguably it turns them off. A recent university study reported that over 70% of Europeans are fearful of advancements in technology and advocate government intervention to curb it. Not regulate it, but stop it. Now to my mind, this viewpoint is in many aspects our fault. We failed to articulate the "so what?" and help those people understand the positive influences those emerging technologies might have on their lives and our wider society.

Let's look at an example of emerging tech discourse done right: 5G. Any system which uses 5G new radio software broadly comes under the umbrella of 5G. 5GNR software is underpinned by a variety of breaking edge innovations. Almost universally, private and public sector bodies are really enthusiastic about it, just as they were for 4G and 3G before it. This positivity is not a reflection of a sudden widely-held enthusiasm for massive MIMO antennas, for millimetre waves, for beam forming. People don't care about these things, people care about the "why?", the "so what?". They want 5G because it'll increase the speed of their mobile internet connections. Governments want it because they believe the creation of more and better content will fuel economic growth.



Coming to blockchain. A blockchain is a distributed ledger which can be used to identify ownership and audit transactions of value. It's an evolution of a centralised ledger which really was the rock and roll technology back in Mesopotamia 4000BC. They recorded ownership of assets such as crops in storage on clay tablets, which would be consulted by the villagers and considered a definitive statement of "the truth" at any point in time. It worked, and in many respects and in many instances, it still works. But not always, and especially not as our societies get bigger. If one were to disagree with what that tablet says, for example, what then?

This problem saw the rise of the decentralised ledger. In the slide, (reference slide here) we are the dots on the outside. We delegate our trust every day to the core dots, the intermediaries who connect us to the wider systems, and hold ledgers and data on our behalf. This might be a bank, for example, which holds data as to my cash holdings, or a social media giant which acts as a repository of much of my personal data. This is better but it still has downsides. The bank and the social media giant still hold the key to what is the "truth" at any point in time and they act as single points of failure. If they fail, we have limited recourse.

So, moving to the distributed network model. They're difficult to maintain, but they have no single point of failure and theoretically are infinitely scalable. Crucially, this model eliminates the need for any form of trusted intermediary. The network polices itself by enabling each of the dots, which in a distributed network we refer to as nodes, to maintain their own view of the ledger and come together to form a consensus as to what is "the truth" from time to time.

That, in simplistic terms, is the "how" of blockchain. But "so what?" Essentially a new form of bookkeeping, it might sound pretty dull. But it's pretty massive. One of my favourite quotes is from Marc Andreessen, a prominent American investor and software engineer who wrote the original Mosaic browser, who explains that blockchain: "Gives us, for the first time, a way for one internet user to transfer a unique piece of digital property to another internet user, such that the transfer is guaranteed to be safe and secure, everybody knows the transfer has taken place and nobody can challenge the legitimacy of the transfer. The consequences of this breakthrough are hard to overstate."

That's the "why?". Using blockchain, parties can transfer value without needing to trust each other, or rely on that third party intermediary.

In our experience, speaking to regulators and policy-makers around the world, we found that many policy-makers understand that regulation and innovation are by no means mutually exclusive, that markets actually respond really well to clear and permissive public sector direction.

By way of example, let's look at e-commerce. This is a sector which hugely benefitted and then hugely suffered from the consequences of the dot com bubble in the early 1990s to the early 2000s. Post-crash, fear and uncertainty gripped the market, and the absence of a clear regulatory framework did nothing to settle the mind of would-be investors. It wasn't until 2002, when EU eCommerce regulations came into play, that the market recovered and investors, especially at institutional level, began to reinvest in eCommerce businesses, along with other internet-based companies.

So the public sector gets it. They recognise that they have a valuable leadership role to fulfil within their respective industries. Around the world they are beginning to fulfil that role, and we've been really lucky to advise on some of those moves.

For the past 12 months, Mishcon de Reya has been working alongside HM Land Registry in the UK and, just a couple weeks ago, we publicly announced the completion of the first end-to-end residential property transaction in the UK, all of which was underpinned by blockchain. Given the complexity of HM Land Registry's legacy systems, that was a pretty mean feat, and represents a first step the UK real estate stakeholders can build on, and hopefully start to realise some of the benefits of having a faster, more efficient, more transparent real estate transaction process.

A word on the tech: it was all built on Corda, the prototype used a very closed network, just featuring a handful of nodes. We hosted a couple of them, as did HM Land Registry, the buying and selling conveyancers and the lending and redeeming banks. Phase Two of that project will integrate HMRC, the tax authority, who will host a couple of nodes for the purposes of automating the payment of stamp duty. That's an example of a regulator taking active steps to shape the market.

As well as practical implementations, public sector bodies are also assuming leadership roles in terms of policy and strategy. We have been advising for the past seven or eight months the Executive Council in Abu Dhabi on a wide range of topics, including the development of a policy for blockchain technology in the Emirates.

Before we started, we tried to tie any possible adoption of the tech to a "so what?" To a broader strategic mission of the Emirates. In particular, we focused on their stated desire to improve the efficiency of government processes. We started at the most basic and granular level: we started at definitions. We needed to be very clear when we were discussing blockchain in the Emirates, we were all talking about the exactly the same thing, i.e. a very specific subset of distributed ledger technologies. A failure to establish this very clearly at the start would have led to grossly inefficient dialogue which, in the public sector, leads to ambiguous regulation, which is bad regulation. Establishing that common language at the outset was very important.

We also put in place a foundational document, which would set out the fundamental principles upon which the technology would be governed and overseen and regulated in the Emirates. Again the common theme here is the word consistency, as that consistency would reduce risk and an environment with less risk will hopefully foster greater innovation and investment. This document had to be future-proofed. Again, that's quite hard work, it requires a knowledge of the prevailing legal and regulatory doctrines, but perhaps more importantly, their intersection with the technology itself and that technology's direction of travel. In the blockchain world think delegated consensus protocols or zero knowledge proofs and the increasing trend to abstraction-layered solutions.

This is exactly the analysis we undertook in Abu Dhabi and the document we put in place which we are really hopeful will be the framework upon which their future infrastructure will be developed.

So what about betting and gaming? Blockchains, by design, are near immutable and they are distributed. As a result, they provide a dataset which can be both more transparent and more meaningfully auditable than many traditional forms of database. One of the areas in the industry which could benefit from this transparency and this auditability is the customer onboarding process, the KYC/AML procedures.

We can look to the financial services industry for a bit of inspiration here. As we were working in Abu Dhabi, we were working very closely with their financial free zone regulator, Abu Dhabi Global Market, or ADGM. In December, ADGM successfully concluded the first phase of its blockchain-based KYC project. This project enabled a consortium of major UAE financial institutions to combine siloed KYC datasets. They reported that this radically simplified a process which they characterised as cumbersome, awkward and cost intensive. The review of the project suggested that such a solution could contribute towards a secure, unified and convenient system for upholding robust customer onboarding standards across the industry.

What's really interesting here is the development of what we call "zero-knowledge proofs", which can perhaps make it more commercially appetising. In simple terms, a zero-knowledge proof is a method by which a party can prove to other parties that they know something, without ever conveying any information other than an affirmative statement that they know that thing. So in a KYC/AML context, this means that parties in this room could rely on a prover's statement, my statement, that I hold the requisite information for X customer, without me needing to share any of that information with any of you, other than an affirmative statement that I have that information. All of this, happily from a regulator's perspective, is backed up by a very readily auditable trail.

The prospect of using a blockchain-based customer onboarding procedure is really interesting. As I said earlier, our experience is that markets respond really well to having some sort of direction from the public sector authorities. If big players in the betting and gaming industry are to seriously consider implementing such tech solutions, regulators should probably consider whether or not they have a role to play in providing guidance to the market. They may even consider building their own prototype, as we saw with HM Land Registry, and in so doing they'll be able to provide greater certainty and have a chance to shape the solution that their market is using.

To round up, what can we glean to be some generally applicable guiding principles for the creation for enabling environments? First, and as you have probably gathered from the talk so far, I firmly believe that regulators ought to be anticipatory and ought to actively engage in their industries, to ensure that they keep their fingers firmly on the pulse of their market activity and to also fulfil a leadership role in respect to emerging tech. In some instances, this might involve taking active steps, building a prototype like HM Land Registry or issuing dedicated clear guidance as in Abu Dhabi.

Second, education programmes are key to improve market confidence. We've discussed the "so what" of emerging technologies and contrasted the clear message that 5G has, with the slightly more muddled rhetoric that sometimes accompanies blockchain. Market participants, from private enterprises to public sector entities, all have a role in this, and should consider publishing or commissioning sensible, clear educational articles and white papers on the possible benefits on emerging technology. It was great to hear earlier about a proposed Centre of Excellence and a commissioning of that quantitative-based research study. They will be absolutely key to inform public opinion and the regulator's approach of betting and gaming here in Gibraltar. These research projects, I hope, will include some sort of impact assessment in respect of emerging tech solutions.

Finally, to repeat the message, consistency is important to provide certainty and this runs through everything. From accurate and precise drafting of regulations to joined-up media communications and to guidance materials. Once we have that certainty, we hope that emerging technology can flourish.

Insights into Propensity to Gamble

James Bentley

KPMG

Seamus McGowan

KPMG

Seamus McGowan and James Bentley gave an update on work being undertaken to determine the demographic, social and economic factors that determine whether individuals consume a range of gambling products. This research remains a work in progress and conference attendees will be notified when it is published.

Evolution of eGaming

Moderator: Jon Tricker

KPMG

Panellists:

Neil Banbury

Kindred

Irina Cornides

Jackpot Joy

Juergen Reutter

MoPlay

Phil Walker

William Hill

The operator panel is always a highlight of any eSummit giving delegates the chance to hear industry movers and shakers reflect on recent developments and assess risks and opportunities ahead. Moderator Jon Tricker's panel consisted of an illustrious selection of business leaders including Irina Cornides, Chief Marketing Officer of Jackpot Joy Group, the world's largest bingo led gaming operator; Neil Banbury, General Manager for Kindred's UK business, responsible for delivering sustainable growth for their brands, in particular 32Red and UniBet; Phil Walker, recently appointed director for William Hills Online and previously a consultant and Chief Operating Officer of GSX; and Juergen Reutter, Chief Executive Officer of Addison Global who also previously worked for William Hill Online and Telefonica Germany.

Jon Tricker began by asking, aside from Brexit, what the most significant challenges facing operators were likely to be over the coming months.

Irina Cornides: Obviously regulation is going to be a key topic for all of us going forward, particularly those of us who are operating in Europe. We are seeing a polarisation in Europe, either because countries are regulating like Sweden, Netherlands soon and Slovakia; or because they are moving in an opposite direction and becoming more grey such as Norway. So depending on the strategy you're pursuing as a business, you either have to accept lower margins and increased regulatory and compliance pressures, or greater risk.

Ultimately all of us, and this has been echoed throughout the day, have to adapt our entire business model, especially if you're operating in jurisdictions such as the UK or Sweden, to take sustainability into account in every aspect of our business. This is something that is here to stay and it will fundamentally change how we do business. It will affect marketing, our products, as well as financial models and margins.

Personally, I'm not in favour in splitting responsible gambling out into a separate business unit. Some operators have created separate responsible gambling arms within their business. We have taken an approach of integrating sustainability into every part of our business, simply because we don't want to create a fight between commercial and compliance. Ultimately creating a sustainable business is good business, so it has to be part of the core DNA of the organisation.

Neil Banbury: There are a couple of things that spring to mind in terms of challenges. One being collaboration, and we've heard today great stories about collaboration within the industry. The challenge for us in the coming months is how we really take that to the next level. We have to find ways to do more of that and to make sure it has an impact.

We also need to find ways to collaborate outside of our operators' group. We have examples of working with organisations like YGAM and Epic, we have examples of working with regulators, the "hot shoes" initiative from the GBGC, for example: there is really strong collaboration there. There's collaboration in parts of the value chain, such as companies that can help with verification and identification of customers. But there are also lots of stakeholders within our business ecosystem that we don't collaborate with much. If we think about other parts of marketing, there's not a huge amount of collaboration between operators and affiliates.

A lot of public perception is just about the way that gambling is advertised and sold. We all play our part in that. Businesses spend a lot of money advertising on TV and we've got self-imposed restrictions coming in. I think that's

> “Obviously regulation is going to be a key topic for all of us going forward, particularly those of us who are operating in Europe.”

a positive step but that has an impact for the rights-holders. There is a huge amount of advertising in the press. The titles themselves have affiliate deals and are also telling a story about the gambling industry, which perhaps may not be the story we would wish to be telling. We don't want to be putting out propaganda and influencing the press in that way but it's important to think about how we collaborate outside the current channels that we have.

The poll earlier showed that people see compliance being a major challenge that we all face, and it's hard to disagree with that. But if we think about some of the other stats that we heard today, the 30 million plus people that gamble in the UK and the public perception, you see an industry that isn't trusted. If we've got such a huge audience, 30 million plus people, and low trust, we almost need to flip our mentality as operators and see that as a massive opportunity.

It's very obvious the pressures that all of these changes can put on margins and bottom lines etcetera but there must be a huge upside there as well for an industry that is more trusted. That mentality shift is quite a big challenge for us to go through.

Jon Tricker: You've both reflected on challenges for the industry but you've also reflected on the opportunities from those challenges. Are there some other opportunities that we have not discussed yet?

Juergen Reutter: Sometimes we need to remember that we are working in a consumer industry. It's a pretty exciting entertainment industry. At MoPlay, we see ourselves as an eCommerce company and we need to compete through innovation for an ever better service experience. That's very important as a new brand in order to compete in markets which are under pressure in some ways due to tax, to tighter regulation, advertising restrictions and so on.

> "A lot of public perception is just about the way that gambling is advertised and sold. We all play our part in that."

There are opportunities to enhance service experience, providing a better player experience than what we see right now. This is a huge opportunity for all of us to put effort into providing this experience and bringing it to the next level. At any one time, on any day, more than 100 million people are gambling. We provide digital entertainment in the form of a bet. Yes it needs to be responsible but there is much more this industry can do in order to provide and accelerate this player experience. A lot of focus needs to go in providing and extending this.

This week was a pretty special week for any consumer in this industry, with two massive semi-finals in the Champions' League. At MoPlay, we had a lot of customers backing Liverpool. It was the excitement of betting on the underdog, the excitement of going with the ride of the bet, and in the second half, we had the second and third goals. At the third goal we saw 80% of the consumers who bet

> "Commercially, we adopt, test and learn in almost every area of our business, whether that be product or marketing."

on Liverpool 4-0 cashing out. Cashing out is an incredible experience for anyone, it drives the enjoyment and the fun of it.

For us, as a service provider, we need to keep investing and keep innovating with those features that make betting and gambling more enjoyable. In a responsible way, yes, but at the end of the day it's an entertainment industry, it's an entertainment service we're providing, and we need to keep innovating and keep making it better. It's a consumer business and there is a lot of room for improvement in order to make the experience in general much, much better than what we see today.

Phil Walker: We talk about a lack of trust from consumers. In the UK, certainly, the lowest level of trust that we've seen. We're not talking about the enjoyment of the product, because we can't. We're trapped into talking about the failings and the things that we're doing wrong.

I have liked today the very consistent theme about blue-chip companies working with regulators and trade bodies to generally raise standards. I think we have an obligation to do that, and maybe by doing that and collaborating on new ways of working together we can go beyond simply the regulation and saying we know what's right for consumers. We have to find a way of doing that in scale every time. We need to stay together as an industry in raising standards and bring our regulatory partners, our trade partners with us. If we can do that, there is opportunity to start to change the rhetoric and the narrative. I don't think we'll ever perhaps change the fundamental perception by advertising or by telling people how good we are. But by setting higher standards and then sticking to them, there's a real opportunity to reframe the debate.

Jon Tricker: Let's move on to the first polling question of the session. Which of the following is likely to have the biggest impact on Gibraltar operators in the next 12 months? The choices are action by regulators, changes in responsible gambling protocols, the Gibraltar border, and recruitment difficulties. (Results showed 38% of delegates voted for action by regulators, 29% for changes in responsible gambling protocols, 19% for the Gibraltar border and 13% for recruitment difficulties.)

So that's pretty split. Recruitment difficulties are lowest on the agenda, which I think is very encouraging. It's action by regulators and changes in responsible gambling showing strongest.

Phil Walker: Picking up on the responsible gambling, we've talked a lot today about use of data, collaborating, and changing standards. I can see it's a huge challenge because there is no simple answer. There's no simple metric that we can look at and say if X was Y, we'd be doing well. If we can work together to find some metrics backed by research, like the programmes mentioned the Gibraltar University earlier, that would be fantastic to give us that confidence that what we're doing are the right things.

Commercially, we adopt, test and learn in almost every area of our business, whether that be product or marketing. In a compliance sense, we don't, we haven't been able to. We've got to take these initiatives and move things forward, in a way that we're confident is the right way to move things. We need to see if they have the impact that we need them to have and desire them to have, and then to continue to push forward, even if the Codes of Practice or the statute books don't follow immediately. We don't need that to be the case, we can be ahead of where the regulation and the statute is by doing the right thing but we'll only do it by testing and learning.

Irina Cornides: I'm not a technical person but I wonder if these blockchain technologies could actually help us in sharing that data? Sharing sensitive data between operators and sharing player data is basically a "no-no" in the current scenario, from a GDPR and privacy perspective but also from a commercial perspective. So perhaps using these new technologies and zero knowledge proofs could actually help us in that regard.

Jon Tricker: AML, and innovation around AML, is a potential area for collaboration. I'm sure it would be of interest to regulators. Is it a realistic goal? Is it possible to think that operators could collaborate around AML, or that regulators could perhaps become a source of AML guidance and assurance?

Neil Banbury: Our intention and our goal has to be more collaboration, we have to find the ways to make that possible. These problems and challenges are incredibly complicated ones to solve, and if we're all trying to do that in isolation it is incredibly inefficient. It's certainly not serving the customers.

We're on a trajectory to need to solve the challenge around the sharing of data and personal data, and at the same time we're on trajectories around privacy and data security that are not necessarily enabling what we need to do. That's something that as an industry we need to work on with the regulators, those that can do research and those that can work independently to help us get closer to that goal because we absolutely have to move in that direction.

Phil Walker: Touching on something Wes Himes said, and that really resonated, is that the worst thing for our customers is for them to go to a black market operator, who doesn't have the same controls and the same tools and the same desire to do the right thing. So keeping customers inside the industry, where the protections are and where we can continue to evolve those protections is a really important principle.

If we could have collaboration over, let's say, markers of harm for a particular player. At the moment, if they exhibit certain markers and then move to another operator, they have a clean slate effectively. That's not that second operators fault but they just don't know anything about that customer at that time. If we could find a way to share a level of information, not sensitive commercial or private data but certainly those markers or those indicators, it would mean operator B who is receiving those new customers could start to interact and nudge immediately, and not 30 or 60 days down the line. That has got to be ultimately in the players' best interests. Neil's right in that we have to find a way to take on board those very legitimate concerns over privacy of data but we have to find a better way to collaborate.

Jon Tricker: Kenny Alexander of GVC recently announced some changes to the way GVC is going about tackling problem gambling, including restriction on TV advertising, increased voluntary charitable contributions, removing shirt sponsorship and advertising from hoardings. Is this a good thing? Is this the direction that the whole industry will go? Will all industry operators follow suit?

Juergen Reutter: Personally, I am not sure this is solving a situation for the consumer base in terms of better protection. It is difficult to understand the underlying data, and we need to better understand this before such a drastic move, an almost blanket ban of advertising in a market like the UK, is proposed. I don't think it's healthy for the market.

As it stands, it would just serve probably a handful of incumbent operators with the right retail exposure. The other probably 700 hundred operators, specifically new innovative ones, that want to enter markets in order to increase the general service experience and make a difference to the consumers, would be banned. They would be kept out from the markets like this because why would you enter a market where you can't advertise? Why would you invest in innovation in a market where

"While making sure that adverts are not seen by the wrong people, vulnerable people, or seen too many times by regular consumers, is an admirable direction, we have to be very careful about how far we go and how quickly".

you can't promote your product or your features? I'm not convinced that this is the solution.

Phil Walker: As one of those incumbent operators, I think the "whistle-to-whistle" initiative is a significant step which will substantially reduce the number of gambling adverts seen by under 18s, for example, during live football and that's its primary purpose. From 1st August, we'll very quickly see what impact it's making.

While making sure that adverts are not seen by the wrong people, vulnerable people, or not seen too many times by regular consumers, is an admirable direction, we have to be very careful about how far we go and how quickly. Back to the alignment point, it's important we take the interests of the whole industry into play, both new and incumbents. If we don't operate together and don't have that common standard, that's where self-interest comes into play and we've got to be very careful. But the desire to do something material is admirable and we should be discussing it, we should be working out how to take that spirit and find something consistent that we can all agree to.

Irina Cornides: So far the industry has failed to come together as a single voice. It's very fragmented, there are lots of different interests and we have not presented a uniform front on anything. Now, we need to do that, it's paramount, and we have a much, much better chance of doing that if, say, the 10 biggest and best come together and then agree on something. It's difficult even with 10 operators but it's going to be impossible with 700.

If the biggest operators dominate the debate you have to accept that they will promote their agenda and may implement or recommend measures that will ultimately create higher barriers of entry, reduce competition and reduce innovation, thereby making it much more difficult for new players to join the market. That may be a good thing from a regulatory perspective, because you have fewer people to police. Whether that's a good thing for the consumer, and whether some consumers will then switch to unlicensed operators is another matter entirely. But if we want a more unified voice, we have to accept that this will be dominated by the bigger players.

Neil Banbury: It was interesting to watch the reaction to the announcement by GVC because it's indicative of the opinion out there. You have major politicians praising the intention, and a lot of what GVC talked about is to be praised, but some of the measures are absolute one-way streets that the industry doesn't come back from – advertising restrictions clearly being one of those. I would say that the "whistle-to-whistle" move is a very positive step towards controlling the volume and the time of day that our advertisements are seen but we really need to also think about the quality of our advertising and what we're saying to customers. It has historically been a very loud industry, very "shouty", very direct, and we've seen great examples of businesses trying to evolve that. Campaigns that SkyBet have run on TV would likely be thought of as impressive; William Hill has really changed the tone of TV advertising as well.

As 32Red, we have a number of football club shirt sponsorship deals. Would I like to see that closed off as an avenue? No. But can we do shirt sponsorship deals in a better way? Yes, absolutely we can, and we're trialling something with Derby Country at the moment where we've just invested into their community trust and we're going to help them scale up a community outreach program which will help males in Derby that suffer with mental health issues. That's a relatively small investment in the scheme of sponsoring a football club but we need to think about the way that we impact the communities when we do deals because football clubs, for example, are a massive part of a town or city's community.

When your brand is on the front of that town's football club, that means something locally and, as businesses that have sustainability frameworks or significant CSR programmes, we need to think of ways we can push those programmes out through the advertising deals that we have in place.

Obviously we get brand exposure through these deals but we also impact these communities and we need to think about trying to do that in the most positive way possible. An outright advertising ban is a very big step, and it's a drastic step, and whether it's based on evidence is questionable. But can we advertise better? Absolutely, and that's something we need to think about in the wider industry as to how we do that.

Jon Tricker: We're all talking about collaboration, and I'd like to know how good the industry is at collaboration in general. Is there room for improvement, and if there is, how could that be brought about?

Phil Walker: We're increasingly good at collaborating but there is definitely room for improvement. If you look at what Senet has achieved over a relatively short period, that's significant. If you look at what the RGA has achieved over a longer period, that's significant. We have multiple trade bodies; that's challenging because there are different agendas and different voices and we're speaking to different priorities. We're almost over-collaborating in that sense.

Then we have some very loud voices in the industry as a whole that are trying to move things forward. Whether that be a William Hill brand campaign or Kenny (from GVC) trying to move the agenda forward, which he's doing by stimulating this conversation. We can definitely do better: speaking with one voice among ourselves with our trade bodies, with our research partners, with the people who can really bring some data and some insight to us.

When we think about how we communicate with customers, we're not trained psychologists. Typically we need help and we talked in the Responsible Gambling session earlier about how to bring in those additional skills and collaborate better to make sure we can do a better job. There's certainly more that we can do. We've continued to improve but we're all keen to find new and better ways of collaborating going forwards.

Jon Tricker: Let's move to our second live polling question which is specifically about Gibraltar and the industry. Earlier Andrew Lyman asked a question as to whether Asia could be a potential source of growth for Gibraltar. I think it's fair to say, as Andrew indicated, that the industry here grew up on the back of Gibraltar's links to the UK and the gambling market in the UK. Gibraltar has been extremely successful there but, in the context of Brexit, where does the future growth comes from? Is it from the UK, the EU, Asia, Africa, the US, or South America? While those results are totted up, I'd like the panel's thoughts on that.

Juergen Reutter: If I'm representing our own views as MoPlay, we were established roughly two years ago, post Brexit referendum. Before we settled in Gibraltar, we did a very thorough assessment of all the main jurisdictions. For us, the vision has always been to establish a truly international business. So there was some liberty in not having a huge base in certain established markets but starting from scratch with a true international focus on a lot of markets, also specifically emerging markets.

When we decided to settle in Gibraltar, we felt very welcome with a very supportive regulator for our international ambitions. We talked about opportunities earlier: there's a huge opportunity for this industry and for operators to go into some of the emerging markets where the local market KPIs, the metrics, are very encouraging. From GDP to internet connections to smartphone penetration; markets where the local jurisdiction, like Gibraltar, has a very experienced framework to go into. For us it's been a main driver to make use of, and build on, the expertise here in Gibraltar as a dotcom jurisdiction.

Phil Walker: William Hill is now coming up on its 10th anniversary in its current building, 11 years here in Gibraltar in total, and being here has clearly been a huge positive for us and continues to be so.

As a global business now, with the emergence of the US and our acquisition of Mr Green which is licenced primarily out of Malta, we still see a very significant future for the Gibraltar base. The blue chip standards that Andrew Lyman talked about earlier, do set an example and we should encourage emerging markets that are thinking about regulation to look at what's being done here and use that as a model. We could potentially provide them with some consulting advisory services about what good looks like and encourage those emerging markets, whether that be Asia or South America, to adopt this model or indeed to regulate through Gibraltar.

Jon Tricker: So, let's look at the poll results: South America comes out as the winner at 33%, which is perhaps surprising, and then UK, Asia, and the US, all more or less the same. Why South America?

Neil Banbury: We heard earlier about the opportunity in Latin America and how close and how real that feels now

"An outright advertising ban is a very big step, and it's a drastic step, and whether it's based on evidence is questionable. But can we advertise better? Absolutely, and that's something we need to think about in the wider industry as to how we do that."

an opportunity but I'm not sure I quite agree with the size of that opportunity.

Jon Tricker: Moving on now to a Gibraltar-specific matter. Recently there was a double tax arrangement or agreement announced between Spain, the UK, and Gibraltar. It's likely to have an impact on operators, not only on employees and their place of residence and their tax arrangements, but also on companies. One of the interesting things that has come out of that agreement is the onus that will be placed on operators to ensure that their presence in Gibraltar is secured and that they are free from potential attack by the Spanish authorities. That goes to whether not only mind and management is based in Gibraltar but also whether effective management is based in Gibraltar. The industry has grown up using Spain as an attraction for employees, how much of a problem could the agreement be for operators in Gibraltar?

Irina Cornides: It's probably less of a problem for the more junior staff level simply because the difference in taxation isn't as high. Attracting certain senior individuals might be more of a challenge: the higher the salary, the higher the potential impact is if you are using Spain as an attraction point for potential staff.

Phil Walker: We've seen a degree of confusion. The actual agreement is relatively simple but you do probably need to be a tax qualified accountant to understand it in some detail. We are certainly getting a lot of questions from colleagues about what does this mean for me and when will it happen? It's one more example of uncertainty that definitely is not helping. If we can explain it simply and most colleagues understand that it's not really making a difference to them because of those very low tax differentials, then it's probably manageable. A sense of certainty and some extra help in explaining it to people would definitely benefit us.

as some of the regulations are changing. For businesses based in Gibraltar, some of this will also come back to complexity and the size of the opportunity. So if you're a business that is looking perhaps to take market share in the UK, there's less structural growth now in the UK market but the UK market is huge. So, if you can take share there, that can still represent a huge opportunity. Yes, there's complexity and there's challenges in doing that but that represents a massive opportunity.

South America is a very obvious opportunity but if that means solving a number of problems that are specific to different markets within the South America region, that can potentially be very challenging as well. For Gibraltar as a base for gambling operators, there is perhaps an opportunity for the regulator to build links there that can make that easier for businesses.

Irina Cornides: I don't 100% agree with the Latin American opportunity, especially the size. Simply because while, population-wise, it's obviously a very large market, if you look at Brazil, for example, you have relatively low online penetration. So people are not that internet savvy; there's a lack of trust and you have issues with banking because credit card penetration is also very low. In terms of payments, Brazil seems very far behind.

If you compare that to some of the African nations, you will find much lower spending power but huge mobile penetration. Some nations also have mobile payment solutions such as M-Pesa, so from a payments perspective you'll find better conditions there. Latin America is definitely

Jon Tricker: We've avoided talking about Brexit so far, and actually Brexit has been less of a topic this year than previously, perhaps because now we're so used to the uncertainty and perhaps because we feel that Brexit in Gibraltar, at least, has been mitigated. Is that a fair assessment? How much of an issue is Brexit to Gibraltar now?

Juergen Reutter: It's not a non-issue for sure but the uncertainty that comes along with it is something that needs to be managed on an operator level as well as with future employees. If you want to recruit critical talent into Gibraltar, one of the first questions you get asked is how do you see the Brexit scenario changing my lifestyle if I move my life over here and I want to settle in Spain and work in Gibraltar? What about the border flow and the border traffic? So the uncertainty is an issue but over the last two years we have got to know how to handle it and how to respond.

Jon Tricker: On that positive note I'd like to say thank you very much to our panellists.

"If you're a business that is looking perhaps to take market share in the UK, there's less structural growth now in the UK market but the UK market is huge."

KPMG Limited
+350 200 48600
kpmg.gi