



cutting through complexity

Thursday 19th April 2012

Report



KPMG eGaming
SUMMIT

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Introduction

Over the past fifteen years, Gibraltar has established itself as one of the world's leading on-shore European jurisdictions for eGaming businesses wishing to establish themselves within a well-regulated and tax-competitive commercial environment. Its reputation as a secure and robust, first-class gaming jurisdiction has resulted in its becoming host to many of the world's major gaming operators, all of whom have benefitted significantly from the positive approach to eGaming taken by the Gibraltar Licensing Authority.

On the 19th April, 2012 at the Caleta Hotel, the KPMG eGaming Summit sought to compound and elaborate upon Gibraltar's demonstrably excellent reputation for cross-industry discourse by providing a forum within which businesses and representatives could meet and discuss the current and future global presence of the eGaming sector.

Gibraltar's Minister for Education, Financial Services, Gaming, Telecommunications and Justice, the Hon. Gilbert Licudi, kindly opened the Summit with a welcome address which outlined Gibraltar's ongoing commitment to providing a safe and transparent operational jurisdiction with internationally competitive regulatory and supervisory legislation. The morning session then focused predominantly on the issue of regulation within the eGaming sector both from a local and European perspective. Highlights included a much anticipated address by Maria

Brennan of HM Treasury and Andy Grimsley of HM Revenue and Customs on the UK's regulation and taxation of eGaming, with particular reference to the UK Government's recently announced Point of Consumption Tax. KPMG's Archie Watt then opened the afternoon session with a presentation which commended the remarkable resilience of the eGaming sector over the past decade, upon which note he introduced the focus of the remaining session as being concerned with the future of the eGaming industry. The Summit closed with a four-delegate panel session, moderated by KPMG's Russell Kelly, entitled 'eGaming and Beyond'.

This report seeks to summarise the day's events with a view to sustaining the impetus and enthusiasm generated by the Summit. KPMG would like to take this opportunity to once again thank the speakers and delegates who attended, all of whom contributed to its great success. This was the second such event held in Gibraltar, with a view to more in the future as the industry continues to flourish.

KPMG employs a number of eGaming industry specialists both in Gibraltar and globally and is committed to cutting through the complexity of this constantly evolving industry.

A word from the Sponsor

At Continent 8 Technologies, our investment in Gibraltar's eGaming sector is testament to our belief that Gibraltar represents a globally competitive jurisdiction built on solid foundations of technological innovation, co-operative regulatory practices and a robust political and economic environment.

The Continent 8 Technologies Gibraltar data centre is the latest addition to the company's expanding global data centre footprint. We believe it represents the perfect accompaniment to both Gibraltar's flourishing eGaming industry and continued investment in an increasingly diverse technological infrastructure set to become a global platform for e-commerce.

We focus on the delivery of market-defining Internet technologies, products and services for global online gaming and this year's KPMG eGaming



Summit was the perfect opportunity to demonstrate our commitment to staying at the cutting-edge of this exciting industry.

Continent 8 Technologies was proud to sponsor the day's events and we look forward to next year's KPMG eGaming Summit in Gibraltar.

Richard Ebbutt

Continent 8 Technologies



The Hon. Gilbert Licudi QC

Conference Opening

The Hon. Gilbert Licudi QC

Minister

The Hon. Gilbert Licudi QC is Gibraltar's Minister for Education, Financial Services, Gaming, Telecommunications and Justice. As well as his extensive role with the Gibraltar Government, Mr. Licudi is a Barrister specialising in commercial and trust litigation and has been admitted to the Bar in both London and Gibraltar since 1992.

Mr. Licudi opened the Summit by reassuring the floor that Gibraltar remains committed to licensing only the world's best operators; "thereby sustaining a critical mass of like-minded companies, which are like-minded with the Government, like-minded with each other and dedicated to providing safe and secure remote gambling services within and beyond Europe." As such, Mr. Licudi reminded delegates that the Gibraltar Licensing Authority "expects and requires its licensees to be as precious about their reputation as we are about ours."

Key Challenges

The key challenge concerning many in the industry is the UK's recent proposal to introduce a Point of Consumption Tax in the UK in December 2014, along with a licensing and regulatory regime for foreign operators. The proposal has

disappointed the Gibraltar Government and is a matter which has been prioritised within the Licensing Authority. Mr. Licudi confirmed that he had already engaged and will continue to engage with the UK Government on this issue and that it was, in fact, the subject of Mr. Licudi and Chief Minister Fabian Picardo's first meeting with officials in London following the 2011 elections. Mr. Licudi also confirmed that both he and The Hon. Mr. Picardo met with John Penrose, the UK Minister for the Department of Culture, Media and Sports as well as the UK Minister of the Treasury Chloe Smith. Maria Brennan of HM Treasury, who was due to speak at the Summit later that morning, was also present at the meeting with Chloe Smith.

Mr. Licudi confirmed that the Gibraltar Government will continue to lobby and to present its arguments to the UK Government and claimed that the decision was, in essence, a political proposal. The Gibraltar Government believes there is scope for the UK Government to re-consider its position and will make sure, as Mr. Licudi stated, that the UK Government understands that "what they call a fairer system of taxation would operate with disproportionate unfairness to Gibraltar."

It had also been suggested that one of the reasons for the licensing and regulatory regime is the need to protect the UK's customers. Mr. Licudi agreed that online gaming is a leisure activity which involves some risks: "some customers may exercise poor judgment and control and some customers may commit or seek to commit crimes against the operators. Yet Gibraltar has shown that such risks are best managed when the providers are small in number, high in quality and tight in their regulation," he stressed. As the industry has developed, remote gambling customers, both good and bad, have become increasingly astute and in their search for the best odds and deals are sometimes drawn to sites which serve as a platform for illegal markets. However, Mr. Licudi maintained that "the black market has been squeezed out of the UK by low cost but properly regulated regimes like Gibraltar's."

Mr Licudi warned that the emerging UK model provides a climate within which the black market will re-emerge as surely as it has elsewhere, perversely creating a regime which, despite being billed as necessary to protect UK customers, may have precisely the opposite effect. The new regime could in fact drive those customers to

“some customers may exercise poor judgment and control and some customers may commit or seek to commit crimes against the operators.”

unlicensed and unregulated operators based in less reputable jurisdictions who will have no intention of paying the proposed Point of Consumption Tax in the UK.

“But,” as Mr Licudi concluded, “this is not the first threat that we in Gibraltar have faced.” In each case, Gibraltar has been able to meet challenges with resilience and determination and, after meeting those challenges, the eGaming industry has moved on and grown. It is important that the Gibraltar Government remains perceptive and responsive to these changes and is able to demonstrate sound judgment and the ability to act and adapt where necessary: “I have no doubt that the Government of which I form part will do precisely that and we will do so by talking and listening to, and working in partnership with our operators.”



Gibraltar Licensing and Regulatory Update



Phill Brear

Head of Gambling Regulation
Gibraltar Regulatory Authority

Phill Brear was appointed as Head of Gambling Regulation for Gibraltar in October 2007 following two years as Director of Operations with the British Gambling Commission. In July 2011, he was appointed as Gibraltar's Gambling Commissioner in addition to his existing responsibilities. He played a key part in the roll-out of the UK Gambling Act and Gibraltar's new Gambling Act and has steered through a series of changes to the regulatory regime whilst working closely with operators and their representatives. Mr Brear is also responsible for liaising with such bodies as US regulators and the European Commission.

Mr Brear opened his presentation by first addressing a number of domestic issues which had been touched upon during last year's KPMG Gibraltar eGaming Summit. Last year, Gibraltar's then Chief Minister, Peter Caruana, announced a change of structure concerning the management of gambling in Gibraltar, which resulted in the co-joining of Mr Brear's department with the Government's Gambling Division. Mr Brear subsequently became Gibraltar's Gambling Commissioner.

Mr Brear also commended GibTelecom for its work in

commissioning the recently completed Europe India Gateway submarine telecoms cable; describing it as "yet another demonstration of Gib Plc's commitment to eCommerce and the Gambling industry." He then outlined his presentation as being a reprise of four issues of particular relevance to the eGaming sector: emerging UK policy, the European Commission Green Paper, 'Black Friday' and issues surrounding integrity.

Key Challenges

"UK Policy", as Mr. Brear began, "remains the biggest cloud on the industry's horizon and encapsulates, to a large extent, Gibraltar's regulatory agenda." It had been two years since the Department for Culture, Media and Sport issued its White Paper consultation document concerning licensing and remote gambling in Great Britain and Mr Brear maintained that this was always seen as a gateway to the taxation of eGaming in the UK.

Gibraltar, Alderney, Malta and the Isle of Man were named specifically as the principal suppliers of remote gambling to residents in the UK and he considered this be a fair assessment. However, Mr Brear was keen to emphasise that, in terms of the aggregate balance of supply, Gibraltar provided approximately 60% of the UK's demand and is, therefore, likely to

experience the most disruption as a result of the proposed changes.

Mr Brear reminded the Summit that the DCMS White Paper asserted that there were five key reasons for the existing regime to change, all of which were and remain, in his opinion, unfounded. The first and most damaging alleged that the technical standards in jurisdictions like Gibraltar are not as reliable as those found in the UK. However, Mr Brear stressed that even if this were true, the real issue is the monitoring and enforcement of regulatory issues by both operators and regulators. The strongest technical standards in the world, he continued, are inevitably neutralised if the system itself is not properly applied by the regulator and in close co-operation with the operator; a situation which looks inevitable under the proposed UK regime.

The second allegation focused on concerns surrounding the provision of intelligence and information. In 2011, GREF, or the Gaming Regulators European Forum, conducted an exercise with the intention of measuring the ability of regulators to obtain and release customer data to each-other. Gibraltar experienced little or no difficulty in releasing properly qualifying information. Indeed, the difficulty surrounding exposure rested with the

“there is no evidence for a lack of data-flow out of the jurisdictions identified in the White Paper.”

biggest and most bureaucratic regulators, many of whom claimed that they had neither the power nor authority to obtain and release the requested data. Contrary to the claim, therefore, Mr Brear assured the Summit that “there is no evidence for a lack of data-flow out of the jurisdictions identified in the White Paper.”

Mr Brear then turned his focus towards the alleged non-reporting of suspicious incidents, to which his response was that such events are in fact reported to the UK by external regulators. Mr Brear assured the Summit that he could not recall a single case that a UK regulator had brought to the attention of Gibraltar’s Regulatory Authority without its being already aware of the incident. “Moreover,” Mr Brear continued, “we are aware that the UK regulators already cannot accommodate and process the existing reports that they receive, they simply fall into a black hole. This serves only to perpetuate the misconception that this is a significant problem in terms of its scale rather than just in terms of its principle.”

The fourth issue was that of customer complaints and the apparent lack of visibility of those complaints once they are processed outside of the UK. The DCMS claim that licensing and regulation within the UK will offer UK customers and non-UK customers better complaints management despite the Gambling Commission not, generally, investigating consumer complaints. Mr Brear took this opportunity to raise an important statistic: that the number of complaints the GRA receives from the jurisdiction’s ten million customers totals just 30 to 50 cases per year, all of which are investigated but only a handful of which are found to have any substance.

The fifth issue was one of more general regulatory co-operation and Mr Brear explained that, amongst his colleagues and indeed the majority of the Gibraltar eGaming industry, there is a shared objective in its pursuit. For the past 12 months, Gibraltar has unsuccessfully sought to establish a regulator-to-regulator liaison arrangement with the UK for the rapid reporting and examination of any suspicious betting activity during the

London 2012 Olympic Games. Likewise, Gibraltar has also been seeking to establish and maintain a generic memorandum of understanding with the UK. Mr Brear stressed the importance of establishing this relationship in order to be able to provide a rapid response to any reports of suspicious gaming activity due to its potentially virulent media and political connotations.

Mr Brear then moved on to the very latest announcements that concerned the industry, the most recent of which concerned UK Chancellor George Osborne’s Budget Brief announcing that “the taxation of the remote gambling industry would be a good thing for the UK, would protect UK jobs and increase revenues.” Mr Brear responded by explaining that, in all the key jurisdictions, he doubted that many more than 2,000 jobs were outside of the UK due to the absence of tax and licensing regulations. There are, he argued, many more thousands of jobs within the UK precisely because of the current arrangement and there are many more industries based in the UK which gain leverage from jurisdictions like Gibraltar and which reinvest their profits into the UK economy.

Mr Brear reinforced his contention by describing the modern business model for eGaming operators as being one of dispersion to places where languages and IT skills reside in the interests of efficiency. The UK model that is emerging is one which would encourage further fragmentation of the industry away from the UK. “Our forecast,” he explained, “is that licensed operators will seek to reduce their operating costs in an effort to remain competitive with both a regulated market and the unregulated market that will surely emerge to chase the price gap that the new tax and levy charges will create.”

“We would move from a stable, sophisticated and well-supervised industry to one that would be challenged by the proliferation of start-ups,” stated Mr Brear, “so I ask the question: is this the model to protect UK customers and increase the

revenues of the UK Government?”

Concerning the Green Paper, Mr Brear described the European Commission as being “caught between a rock and a hard place.” Their rate of progress in such matters is unavoidably glacial due to a legally dense landscape surrounding the most contentious areas of public policy, which now includes gambling: “they develop their policies based on bilateral and multilateral engagements and, like glaciers, they can sometimes appear to be moving backwards because the climate has turned against them.”

Mindful of time restrictions, Mr Brear then moved briefly onto the issue of ‘Black Friday’, the anniversary of which took place just one week before the KPMG Summit. Mr Brear explained that, post-UIGEA, it was common knowledge that the only way remote gambling could work in the US was through the manipulation of the payment system, a technique which veered dangerously close to or was likely to be deemed illegal activity. Some of the parties implicated, as Mr Brear remarked, “were always going to struggle to pass political due diligence if not objective due diligence” and the implications of licensing them were somewhat predictable.

To close, Mr Brear also expressed his wish to briefly touch upon the subject of ‘integrity’; “a topic which is in and out of the news and which is frequently misunderstood.” He wished to stress to the Summit that integrity has only become an issue of such significance to the majority of the industry because of a tiny minority of ‘punters’ with no regard for regulatory procedure. Mr Brear did, however, implore regulators and the industry at-large to do more to co-operatively negate the risk of further challenges to its collective integrity: “We remain committed to addressing any significant attempts to corrupt or unfairly exploit betting events and, let’s not forget, other betting customers”, he concluded; “because it is they who eventually lose out from such practices.”

Sector Update - Gibraltar Specific

Peter Montegriffo

Partner

Hassans

Peter Montegriffo qualified as a Barrister in 1982 and became a partner of Hassans in 1988. Over the past few years, he has been instrumental in drafting numerous changes to Gibraltar's legislation concerning trusts, financial services and gaming. He is a prolific publisher on the jurisdiction's legal system and is a regular speaker at international conferences. Peter was also Gibraltar's Minister for Trade and Industry with responsibility for economic development and financial services between May 1996 and February 2000.

By way of introduction, Mr Montegriffo first explained to the Summit those aspects which make Gibraltar unique as an on-shore licensing jurisdiction. Mr Montegriffo chose the image of Gibraltar's trinity of flags as being symbolic of the opportunity Gibraltar presents to licensees and business and of its ability to build a firm and stable economy. "It is these three realities," he explained: "our links to the UK, our fiscal independence and our links to Europe, which have been the basis of how Gibraltar has defined its economic development over the last three decades."

New Tax System

Mr Montegriffo then explained that the biggest development within the eGaming sector concerned Gibraltar's recent completion and adoption of a new tax system which, now entering its first calendar year, has served to

transform Gibraltar from what might have been described as an off-shore tax centre to an on-shore centre.

As Mr Montegriffo remarked, "we have seen the development within the industry of much more B2B business, far more sophisticated White Label arrangements and we are seeing diversity in the complexity of arrangements which are developing between local operators and global markets. That is likely to continue: as markets open up and the regulatory landscape becomes more complicated, we will see increased diversity and different permutations within the industry but will, of course, have to address the regulatory and legislative complications which arise as a result."

2011 Elections

Mr Montegriffo described the elections which took place in Gibraltar last year as being perhaps the biggest change likely to affect the eGaming sector. Having been in power for sixteen years, the previous Gibraltar Government had built an excellent relationship with the eGaming industry. However, Mr Montegriffo was keen to emphasise that, despite having to absorb very quickly the knowledge base that has been established over those years, the new Gibraltar government is committed to maintaining this relationship and to supporting the industry throughout the process of acclimatisation.



Peter Montegriffo

The Gibraltar Model

Before dealing specifically with the issue of threats, Mr Montegriffo first wanted to remind the Summit of the 'Gibraltar model', which, he explained, "has always been one that requires operators to have a substantive, bricks-and-mortar presence in Gibraltar: it has always been one that encourages operators to be part of the mainstream economy." He stressed that it is critical, when understanding the challenges faced by the sector, to maintain that Gibraltar's is not a revenue raising exercise and that it responds equally to regulatory accountability and the ways in which the eGaming industry impacts upon other industries.

Threats to the Industry

Mr Montegriffo then continued on the subject of threats, identifying three that are of particular relevance to Gibraltar's economy. The first concerned the European debate and he emphasised that the real threat to the industry was inertia at a pan-European level. He explained that the legal and technical complexities of the sector create the risk of stultifying the European Commission into being unable to act with any clear sense of deliberation.

For a time, the European Court of Justice did begin to open up a discourse which promised to offer some direction to the industry. However, it ultimately found itself

creating such a qualified and nuanced articulation of the relevant principles that it became impossible for lawyers, let alone operators, to make any sense of Europe's view on a variety of different issues. The main problem at the European level is, therefore, a lack of incentive and Mr Montegriffo urged the industry to push the Commission to proactively engage in this matter.

The second threat concerned the individual reactions of member states and Mr Montegriffo was keen to explain to the Summit that none of these states, as opposed to the UK, came to the issue of regulating online gambling because they suddenly decided that it was a great opportunity that must be approached co-operatively and responsibly. Instead, Mr Montegriffo explained, all, or at least the majority of these states, arrived at the issue of regulation because they were facing infringement proceedings due to their operating totally at variance with single-market concepts. "These were all closed markets where darkness reigned", Mr Montegriffo continued, "after a lot of pressure, an accommodation was reached with the European Commission which effectively allowed for a qualified, open European market. So from the darkness, some light emerges."

Mr Montegriffo described the UK as being a very different situation, "in the UK, light has reigned for many decades and the UK is a liberal, open

and mature market. Indeed, all policy considerations were exhaustively dealt with many years before this decision and the 2005 UK Gambling Act crystallised the UK's position after its policy administration had been taken into account." The UK's current proposals, by contrast, would in fact serve to "drag the UK, a leader in regulation and free-market principles, back into the dark with other European countries."

"It is quite wrong, therefore," Mr Montegriffo concluded, "to draw a similarity between what the UK is proposing to do and what other European countries have acquiesced of the Commission. What we are, in fact, facing is a tax announcement in a policy vacuum and I think that is regrettable," he explained. "As Hassans sees it, these measures are legally open to challenge, unlikely to work and are contrary to both UK and Gibraltar broader interests. We remain committed to redressing these issues in the future."



Clive Hawkswood

The Future for Europe

Clive Hawkswood

Chief Executive

Remote Gambling Association

Clive Hawkswood has been Chief Executive of the RGA since its establishment in August 2005. Before that, he was the General Secretary of ARGO and was head of the Betting & Racing Branch at the British Department for Culture, Media and Sport (DCMS). Earlier in his career, Mr Hawkswood spent several years in the bookmaking industry. He is also a trustee of the Responsible Gambling Trust.

Mr Hawkswood sought to provide a forecast of how the regulatory and political situation in Europe is likely to develop. As such, his presentation began by providing a visual overview of the current status of Europe through a series of colour-coded maps, which illustrated the cultural differences of various states and the consequent accessibility of their sports betting, poker, bingo, table games and slots betting licensing and regulatory regimes.

Mr Hawkswood noted that, although there is no clear degree of consistency in state attitudes, an obvious pattern does begin to emerge. "As a whole," he explained; "across Europe, regulators, governments and politicians are more comfortable with sports betting and gambling where there's an element of skill, and the further you move down that spectrum towards what we call 'pure-gaming', or 'pure-chance', the more nervous they become."

EU Level Issues

EU level issues included the European Commission's role as 'Guardian of the Treaty', the Green Paper process, the road to harmonisation and the Court of Justice of the European Union (CJEU).

In Mr Hawkswood's opinion, despite its official role as 'Guardian of the Treaty', the European Commission had failed to uphold its position in terms of free market services. The Commission has had some small successes such as the Danish State Aid Case but largely, as Mr Hawkswood remarked, "they have been impotent." He was, however, keen to remind the Summit that this situation is the fault of politicians rather than EU officials.

He added that the Green Paper process has given the European Commission another excuse for inaction on infringement proceedings. However, Mr Hawkswood confirmed to the Summit that Gibraltar was expecting further communication with the Commission on these and other issues later this year and that this would hopefully give the industry some idea as to its future direction.

"One of these issues," Mr Hawkswood remarked, "concerns harmonisation, and my personal view is that with the current climate, the current make-up, and the current balance of power in Europe;

“it is crucial that we as an industry avoid dual taxation.”

harmonisation could be very dangerous for our industry.”

In Mr Hawkswood’s view, the CJEU, formerly the European Court of Justice, had dealt successfully with a number of high profile cases, many of which were encouraging for the industry and were “sending the right signals.” However, Mr Hawkswood stressed that, in the majority of these cases, the CJEU worked from an advisory position and not from one in which European member-states had had to comply with the ruling, rendering their input only marginally relevant.

Politics and the UK

It was Mr Hawkswood’s opinion that the proposed regulatory imperative did not hold much water and that the issue of taxation also did not provide much incentive for regulatory change in the UK. Instead, Mr Hawkswood believed the decision to be purely political. He noted that the Conservative Party heavily attacked the Labour Government for allowing the offshore gambling industry to develop. When the Conservatives came into power, therefore, they were compelled to do something about it. Mr Hawkswood also noted that these measures enjoy cross-party support, “and for a government in power, you don’t get that chance very often.”

Mutual Recognition

Mutual recognition between regulators is, in Mr Hawkswood’s opinion, unlikely to happen for a variety of reasons. However, he also noted that “what we could look for, and indeed are starting to see, are ad-hoc bilateral

agreements, which are perhaps the best short-term hope. Denmark is looking to sign them; France has come into agreement with Italy, and Spain with France. There’s a sort of spider’s web developing which may come together to form a series of quasi-networks over a period of time. When you actually look at these MOUs, there is in fact not much substance behind them but they are something that, as an industry, we can be cautiously optimistic about.”

Mr Hawkswood warned the Summit that there are, however, potential downsides to the move, one of which concerns France “who have used these agreements to coerce other regulators into helping them close their markets.” Governments do, therefore, need to work increasingly together if they are to move towards something resembling the Point of Consumption Tax “because it is crucial that we as an industry avoid dual taxation.”

Regulatory Co-operation

In the absence of mutual recognition, Mr Hawkswood described regulatory co-operation as the next best thing the industry could hope for, particularly the newer operators. “If they can go to experienced regulators who can help them to get off the ground, for us, that would be a good thing: it encourages regulatory consistency and reduces the risk of duplication and that may lead us towards a softer version of EU harmonisation.”

So where does that leave us?

“I think that, whether we like it or not, we’re moving into a world where companies are taking out more and

more licenses,” explained Mr Hawkswood. “Unfortunately that leads to market fragmentation, but we’re going to have to make the best of it. It will also lead to companies perhaps being more selective; I think there is going to be a much greater degree of cherry-picking for companies based on where their traditional markets are or where they see the best opportunities.”

“I also think there will be a slower move towards common standards and towards harmonisation of some kind simply because common-sense dictates it. It is also helpful that, as part of the Green Paper process, the Commission has brought together regulators and it is no small job getting these guys in the ring together to agree an agenda.”

To conclude, Mr Hawkswood explained that the saving grace for the eGaming industry is that there is inevitable growth. “We are riding the crest of the e-commerce wave; online-gambling is part of that demographic linked to societal change where more and more people are using the Internet for more of their activities. It is important to remember just how well the online sector is doing compared to other industries around and indeed other sectors within the gambling industry itself. We end, therefore, on a fairly hopeful note.”



Lucky Multani

Player Security and Fraud Prevention: successfully managing risk on the poker table

Lucky Multani

VP, Head of Fraud and Risk Management
Cassava Enterprises

Lucky Multani is a highly experienced Risk Management Professional. During his time with Cassava, operators of 888.com, he has held several Risk Management related roles and has built-up significant expertise in such areas as Anti-Money Laundering, Regulatory Compliance, KYC protocols and various areas appertaining to Fraud and Financial Crime.

Mr Multani opened his presentation by first advising the Summit that, in his experience, the success of any poker room depends on its ability to instil in its players the confidence that the platform they play on is both fair and free from fraud. Unless they experience this trust factor, the platform will ultimately fail. "Confidence," as Mr Multani repeated throughout his presentation, "equals profit."

Mr Multani then explained that 888.com employs a dedicated Fraud and Risk Management department, the primary objective of which is to minimise poker fraud on its tables. They are tasked with analysing algorithmic data and player behaviours in order to spot any actions

that could be considered suspicious gaming activity. Those employed are often expert players who know the game very well and are aware of the sorts of actions that would ordinarily be taken in any given circumstance. It is for them to decide what sorts of behaviours constitute unusual or fraudulent gambling. In achieving this aim, 888 creates a safer environment for its players, thereby increasing player confidence and, in turn, player retention.

Things to Look Out For

Player fraud in poker room tables can take a variety of forms, all of which have an adverse effect on player confidence. Common examples include payment fraud, game-play fraud or the use of artificial intelligence software, which are commonly known within the industry as 'bots' or robots.

Payment Fraud

Mr Multani described payment fraud as being, in simple terms; "the use of a payment method by a person or persons not authorised to do it." It can most commonly be linked to identity theft. Information is often obtained by

phishing, scamming or through the loss of payment credentials to fraudsters who will then use them either to withdraw funds or to fraudulently re-invest those funds back into the poker room. Payment fraud represents a significant danger to the industry because it results in money that is not legal being on the table: legitimate players lose confidence and fraudsters illegally withdraw money from the system, resulting in often complex, retroactive chargebacks and disputes.

Game-play Fraud

This often takes the form of one of two norms: 'dumping' or 'collusion'. A simple way to describe 'dumping', as Mr Multani explained, is "when one or more players deliberately tries to lose money to another, regardless of their hands." Chip-dumping can take place for a variety of reasons, the most common of which is to pass money from one geographical location to another, often in a bid to clean or launder money gained from illegal activities. "This", as Mr Multani explained, "is where the importance of establishing game-play parameters comes into play. It is crucial

for poker-room operators to have strict controls in place, to have limits on funding for any given player and limits on the amount of money placed on a given table. Once these measures are in place, it becomes a lot easier for poker-room operators to recognise fraudulent activity and to limit its occurrence."

Mr Multani described collusion as a type of fraudulent activity in which players share information over various external media, such as Skype, messaging services or SMS, in order to cheat another player. As an activity which gives unfair advantage to other players, it risks damaging the integrity and reputation of the operator. "Once again", as Mr Multani stressed, "player confidence is the key here."

Bots and Robots

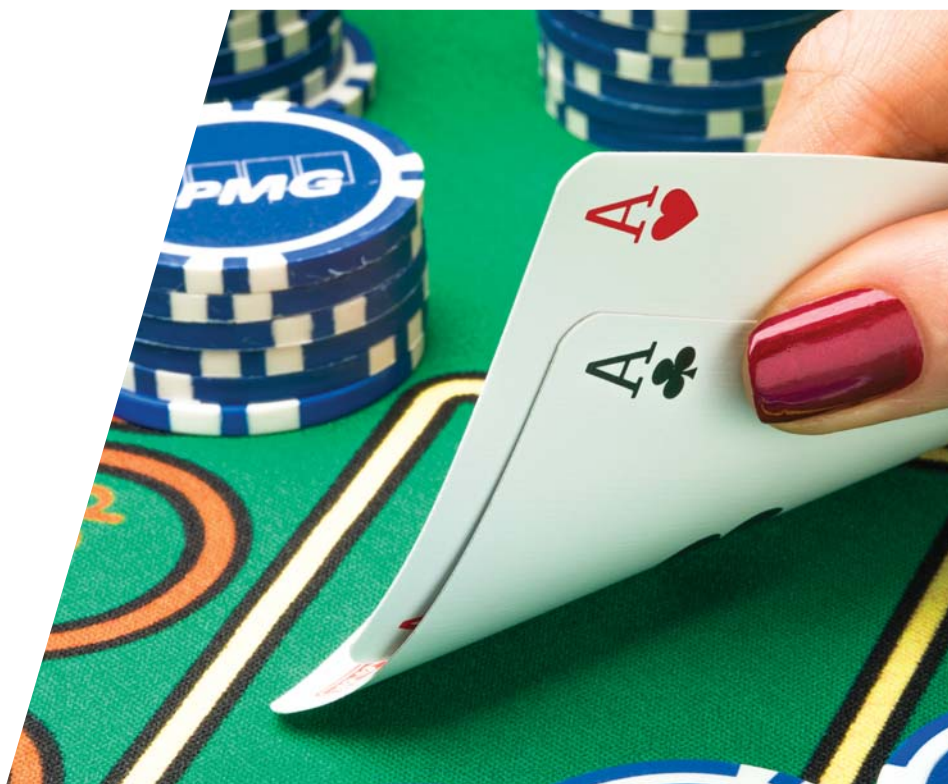
These represent a relatively new but significant danger to the eGaming sector. Bots, or Robots, as Mr Multani explained, "are very sophisticated pieces of software designed to act as a form of artificial intelligence which not only play a game for the user, but will

often open a gaming account on the user's behalf using theirs or stolen credentials." Over the past few years, the industry has witnessed a proliferation of these various kinds of software and has responded with the development of equally sophisticated bot detection processes.

Our Aim

To conclude, Mr Multani once again reiterated the importance of maintaining a healthy user experience within a given poker room. Increased competition throughout the industry means that the erosion of player confidence represents a bigger danger to operators than ever before. "To summarise", stated Mr Multani, "when you're talking about player fraud from a player security point of view; once you as an online poker company ensure that strict controls are in place, that you are identifying player-fraud behaviour and have made sure that you have implemented the relevant processes and controls; you will guarantee a safe environment in which players can interact. Only once you do that will you be able to achieve your stated goal which, I think, is profits for everyone."

"It is crucial for poker-room operators to have strict controls in place, to have limits on funding for any given player and limits on the amount of money placed on a given table."



UK Gambling Taxation: a place of consumption based regime

Maria Brennan

Branch Head of
Gambling Taxes

Her Majesty's Treasury

Presenting on behalf of HM Treasury and HM Revenue and Customs, Maria Brennan and Andrew Grimsley's much anticipated speech concerning the UK's now confirmed plans to tax the gambling industry on a place of consumption basis represented the highlight of the morning's proceedings.

Andy Grimsley

Branch Head of Gambling
Excise Duties

Her Majesty's Revenue
and Customs

The Current Regime

Ms Brennan opened the joint presentation by first providing the Summit with an overview of the current taxation regime in the UK, which includes seven different gambling taxes. Depending on the type of activity involved, as Ms Brennan explained, remote gambling is subject to one of three of these existing taxes: remote betting is subject to General Betting Duty (GBD), remote gaming, such as poker and bingo, is subject to Remote Gaming Duty (RGD) and remote pool-betting is subject to Pool Betting Duty (PBD). All of these taxes are currently charged on a gross-profits basis and the tax liability is based on operator location, meaning that UK based operators, at the moment, pay tax based on world-wide profits, whereas anyone based outside of the UK does not pay UK gambling duties.

Proposed Changes

In the 2012 UK Budget Report, UK Chancellor George Osborne announced that remote gambling is to be taxed on a place of consumption basis, meaning that tax is effectively going to be linked to where the customer, rather than the operator, is based. Any operator, based anywhere in the world, Ms Brennan confirmed, will now be taxed on the profits they generate from any customers based in the UK. This also means that UK operators, who are currently taxed on their worldwide profit, will effectively pay less tax because they will only pay on the profits generated from domestic customers.

Ms Brennan then turned the attention of the Summit to a few key points which appear to have caused some confusion within the industry. Firstly, she emphasised that the UK is not planning a wholesale replacement of the seven taxes currently in place but is "planning a reform of the existing taxes and effectively moving them to a place of consumption basis, leaving the existing taxes in place." Secondly, and of particular interest to the industry, Ms Brennan confirmed that the assumption, so far, is that the 15% rate of taxation currently applied to remote gaming duty, pool betting duty and general betting duty will remain. However, she also said that this rate will be kept under review following the ongoing consultation.

Policy Rationale

Ms Brennan reminded the Summit that the reasons for the UK's proposed taxation were threefold. The first is primarily concerned with fairness and creating a level playing field between UK and overseas operators in terms of the UK duty liability: "obviously now there is a very big difference in terms of the amount of UK duty an operator is liable to pay depending on where it is located" she remarked. The second concerns improving the competitiveness of the UK tax system, and Ms Brennan was keen to remind the Summit that "at the moment, UK operators pay tax on their world-wide profits. As the new system is implemented, the amount they pay will decrease, thereby removing the disincentive for being located within the UK." The third, as Ms Brennan



explained, "is quite simply to improve the sustainability of the UK's tax base and to ensure that remote gambling makes a fair contribution to public finances."

The Process

Ms Brennan confirmed that, in the autumn of 2011, HM Treasury conducted a policy review that included many key members from the eGaming industry and which culminated in the UK Government's decision to proceed with the reform. She reiterated that "the decision has been taken to proceed; meaning that the consultation process is not now concerned with whether or not to implement but how best to design the characteristics of the reform." Ms Brennan said that the exact dates of some of the next steps had not yet been set, but confirmed that, sometime after the consultation period, a summary of responses will be issued. It is then intended that draft legislation will be prepared and, as per the normal standard practice for tax policy making, will also be exposed to technical consultation. Ms Brennan took this opportunity to remind the Summit that the implementation date is planned for 1 December 2014, but that this date will be kept under review. She also said that the Government will definitely not be legislating in this year's Finance Bill.

Taxation vs. Regulation

Ms Brennan said that, in many countries, taxation and regulation are effectively legislated as a whole but emphasised that this is not the case in the UK: "taxation is legislated within tax law and social legislation is covered by

the Gambling Act." Ms Brennan also confirmed that, in addition to the proposed taxation changes, the UK's Department of Culture, Media and Sport announced in July 2011 that it will be making changes to the regulatory framework surrounding remote gambling. This means that operators based anywhere in the world with UK customers will be required to hold a regulatory licence. Ms Brennan stressed that the motivations behind the tax and regulatory changes are different. "Likewise," she continued, "the processes by which they will be taken forward are also different: the taxation changes will be legislated for in the Finance Bill and the regulatory changes will be legislated for in a separate regulatory bill. Having said that, they are both moving towards a customer based approach, so in that sense they are complementary. In order to ensure consistency between the two and minimise burdens for businesses, we are working very closely with the DCMS and will be looking to implement both within a similar timescale. We are also planning

some links between taxation and regulation legislation for enforcement purposes."

The Ongoing Consultation

Mr Andrew Grimsley of HMRC then took over the presentation in order to provide an overview of the ongoing consultation and design process of the reform, the administration of the duties and some of the key points which are likely to impact the industry as a whole.

Mr Grimsley began by explaining that the consultation will be a joint Treasury and HMRC initiative. "For those who don't know," he continued, "the Treasury currently leads on taxation scope; what is liable to tax, and HMRC leads on the administration and enforcement of taxation so, effectively, both departments have an interest in all of the consultation but are leading different aspects."

The consultation itself, he explained, is all about the detailed policy design and not whether to implement the reform. Mr Grimsley confirmed that consultation began on 5th April, is due



“You’ve all got a part to play in the process and we want your feedback. Final design decisions have not yet been made.”

to finish on 28th June, and is designed to pose a number of significant questions whilst also inviting more general feedback. Mr Grimsley also wanted to stress to the industry at large that “the responses to the consultation will inform the design of the regimes and so, to that end, we urge you to respond. You’ve all got a part to play in the process and we want your feedback. Final design decisions have not yet been made.”

Of the seven taxes, Mr Grimsley explained that Bingo Duty, Lottery Duty and Amusement Machine Licensing Duty, which is being replaced by Machine Games Duty and Gaming Duty, are effectively already subject to place of consumption taxation and, therefore, will not be required to undergo any significant changes. However, he confirmed that “we do think changes will need to be made to GBD, PBD and RGD.”

Mr Grimsley also explained that the consultation documentation outlines in more detail the operational changes these measures will precipitate, including that the UK Government will expect operators to take reasonable measures to determine where in the world customers are betting from. However, he confirmed that the consultation also expects operators to provide feedback as to how these aims are to be best achieved.

Mr Grimsley then went on to contrast the current charging provisions for the existing duties, the significance of the operating licences and the potential for changes. He also outlined the need for further industry involvement on the issue of critical partner liability to taxation, both of which subjects are, again, further elaborated upon in the consultation document.

Enforcement

As with all taxes, Mr Grimsley explained that there will be a range of sanctions enforced in the event of non-compliance, including a civil penalty regime and criminal sanctions in the event of serious failings. For these particular reforms, however, he noted that consideration is also being given to linking the tax legislation to the regulatory regime and that these links may enable or possibly require the withdrawal of a regulatory licence in the event that non-compliance to taxation reaches a certain threshold. However, this is again subject to further consultation over coming months.

Accounting

Mr Grimsley confirmed that the decision has yet to be taken over whether HMRC will introduce new accounting systems for the duties that are affected by these reforms. Depending on that decision, there is the possibility of harmonising the registration process concerning taxes and the accounting periods for those taxes, one possibility being a move towards quarterly returns and quarterly accounting periods. “Whatever we do,” he predicted, “I expect that there will be a facility for special tax period ends to reduce burdens on business. There may be a case for e-filing returns and e-registration and I particularly welcome your views on this.”

The Transition

“This subject may be minimal in the overall context but it is still quite important,” stressed Mr Grimsley: “essentially it may be that, after the implementation date, both stakes due and winnings paid out can be included in the new arrangements. In other words, if you receive stakes before the time of change but those winnings are

paid out after the time of change, it may be that you are entitled to use the winnings to offset the tax liability even though the stakes were not subject to duty.”

Double-Tax Relief

Mr Grimsley expressed his desire to touch upon the subject of double-tax relief (DTR). It had been mentioned earlier in the Summit that arrangements for DTR had been introduced in this year’s Finance Bill, the reason being so that UK businesses did not suffer both UK and foreign taxation liability. “There is an argument that these arrangements would no longer be needed if a place of consumption tax was introduced,” explained Mr Grimsley, “so it is likely that the procedures for DTR could be relatively short-lived.”

Data Information

To conclude, Mr Grimsley highlighted the questions in the consultation about the size of the remote market and future growth rates.

Introduction to the Afternoon Session

Archie Watt

Head of eGaming

KPMG Gibraltar

Mr Watt is a specialist in the leisure sector, with a particular focus on online gaming clients. He has worked for KPMG since 2006, and before this worked on the public listings of 888, Playtech and PartyGaming, amongst others.

Mr Watt opened the afternoon session by observing that the messages of the morning's session clearly put across that the sector is truly global and is only going to be more so, albeit in a regulated and fractured manner. "But," as he continued, "this sector is remarkably resilient. It has shown, for the past ten years, that not only can it weather storms; it can come out of those storms much, much stronger." Mr Watt recalled that, in 2006, he worked very closely with a number of eGaming companies, a significant portion of which lost up to 80% of their customer base as a result of US implementation of The Unlawful Internet Gambling Enforcement Act of 2006, or UIGEA. "But you have now, as an industry, recovered to far surpass those levels," he confirmed. "Why? Because you focused on what you're good at. You focused on maximising returns, identifying with your customer base and providing them with what they want."

"This morning's session," Mr Watt summarised, "covered all of that. What we're looking at for this afternoon's session is where we are going in the future."

The Speakers

Mr Watt went on to admit to the Summit that he is of an age "where social media is something I read about

and something that my children do. I was discussing the future of the industry with a couple of delegates, James Lowery and Duncan Fisher, just earlier, about social media and about social games and," he continued, "I have to admit, I don't do any of those. But I told them that I know a number of people who do and that I recognise that we are now in an age where 'silver surfing' is where it's all at and that people of my age are the fastest growing demographic of Facebook users. As such, I am very much looking forward to hearing about how this industry can capitalise on that demographic and target markets that have never before been reachable."

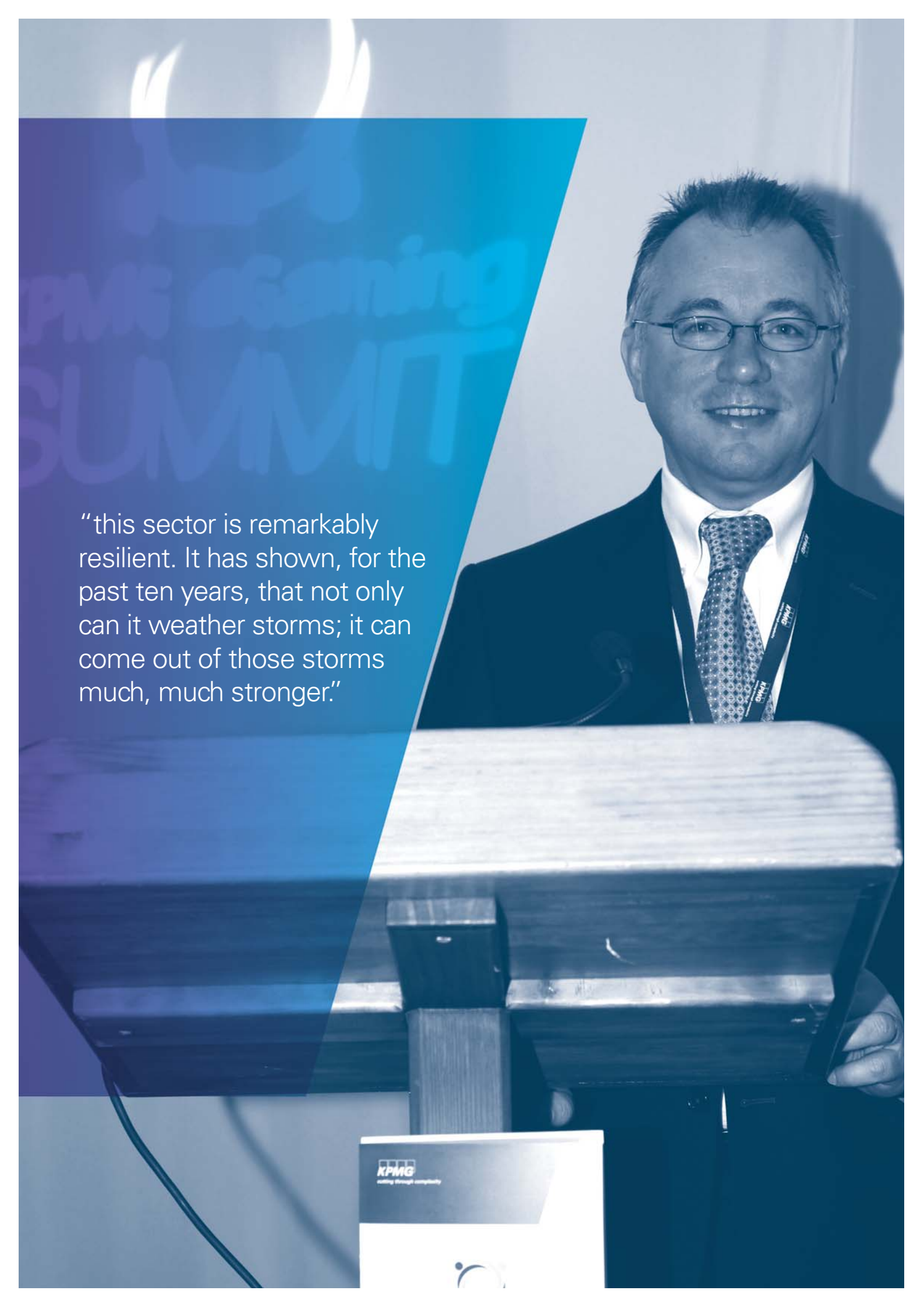
Mr Watt then drew the attention of the Summit to Joanne Lawrence's forthcoming presentation concerning 'Payment Solutions'. "Barclaycard," as Mr Watt explained, "are one of the forerunners in contactless technology and, as we move into new territories, new countries, new jurisdictions; innovative payment solutions are where it is all going to be at. I am sure we are all looking forward to Ms Lawrence's presentation later on this afternoon."

Following on from Ms Lawrence, as Mr Watt continued, was Warwick Bartlett on the US & Asia. "As we've all seen with the US," he remarked, "it seems to be one step forward, two steps back at times. We've had very positive views coming out of the Department of Justice just before Christmas; the 'Wire Act' doesn't apply to casinos and doesn't apply to poker but quite what that means for the likes of Pokerstars and the rest of our industry, we'll just have to wait and see." Mr Watt

explained that the Asian gaming market is already beginning to have a significant effect on the Isle of Man industry and that a number of local operators are already beginning to focus successfully on the Asian sportsbook market. "We hope that Warwick's extensive insight can also help companies based in Gibraltar be more successful in Asia than they are already."

Mr Watt then moved on to the subject of John Kamara's much anticipated presentation concerning social media and customer acquisition in a changing marketplace. "I had the pleasure of speaking to John last month," he remarked, "and he came across to me as being one of the most enthusiastic and energetic public speakers I have ever met. This is a man who is really excited about the business he is in and I am sure that he will be able to share and convey some of that enthusiasm to the Summit this afternoon."

"To close the day's proceedings, the panel session this afternoon is going to be focusing on eGaming and beyond," explained Mr Watt. "This reflects back on some of the issues that the Hon. Minister and Peter Montegriffo were talking about this morning: what else Gibraltar can do; how else it can broaden its market base, not just in eGaming but in other industries equally as important and yet still complementary to our sector." Mr Watt invited the Summit to submit any questions they may have for the panel on the question cards provided. He then introduced Mr James Lowery of Latitude Group as the first speaker of the afternoon.

A man with glasses, wearing a dark suit, white shirt, and patterned tie, stands behind a wooden podium. He is smiling slightly and looking towards the camera. A KPMG lanyard is visible around his neck. The podium has a KPMG logo on the front. The background is a light blue wall with a large, faint KPMG logo. A blue diagonal graphic element is on the left side of the image.

"this sector is remarkably resilient. It has shown, for the past ten years, that not only can it weather storms; it can come out of those storms much, much stronger."

Social Gaming – Identifying Influencers, Creating Communities and Measuring Impact

James Lowery

Head of SEO and Social Media
Latitude Group

James Lowery has been a consistent innovator within the SEO or Search Engine Optimisation industry and leads one of the UK's largest SEO teams at Latitude Digital Marketing. He has 11 years' experience across many sectors, including work on award-nominated campaigns for the Independent and Haven Holidays. Mr Lowery is also a regular speaker on the industry circuit and blogs on leading industry websites.

Mr Lowery opened his presentation by remarking that his five years as Head of SEO with Latitude Group have coincided with an extraordinary step-change in the way people interact online. "Over the last five years", he explained, "the Internet has returned to its conversational and social roots. Social media channels have made huge changes to the ways in which businesses have had to represent themselves in order to recognise and engage with their audience."

The 'Brutal Truth'

Social media gaming from the perspective of the eGaming industry, Mr Lowery explained, "is a particularly interesting subject because, on the whole, gambling and betting online is a typically asocial activity: people don't necessarily talk about it. There are still certain social stigmas and cultural differences surrounding the subject, which result in players not publically gaming and gambling." However, Mr Lowery was keen to emphasise that although people play alone, immersed in the activity, they do not play on their own.

The main social stigma surrounding gambling online concerns losing – "losing is the primary reason why people don't talk about their online gaming." However, Mr Lowery

reiterated that online gaming is not an unsocial activity: people interact within a social framework via the Internet: they swap ideas, strategies and look for tips. Indeed, there is a culture of tribalism surrounding most sports-betting in general. People engage closely together and want to be a part of something and, as part of that interaction with the game, people will bet on the outcome: "It lets them take an additional reward in the win."

Communities

At any period of any given day, explained Mr Lowery; we form part of a number of different social communities, all of which have a common shared experience, a characteristic and an objective. However, it is the process of translating that community structure into an online medium for use in business which is important.

There are three aspects which create a community, he continued: "a community needs an objective; the 'group-think' that delivers the structure and reason why the community exists. A community also needs to identify the needs of the members so that they get something out of it, and it needs to have an incentive for membership; an objective and a goal which is set by the members themselves."



Influencers

Mr Lowery then turned the attention of the Summit to the work of the theoretician, Dr. Jakob Nielson, who created a theory known as 'Participation Inequality', founded upon the '90-9-1 Principle'. This dictates that the vast majority of any group - the 90% - do not participate within a community. Instead, "they consume, they are the audience and they are essentially the customers who you want to reach within a given community." The 1% are responsible for the majority of the content within a given community, "but it is the 9% who edit this content and who are often the most influential."

Moreover, Mr Lowery explained that, within gaming, the people who are the most influential are the winners; they constitute the percentile that people look up to, respect and want to emulate. Influencers within the gaming

market are public winners and they are also the people that the industry wants to identify to their customer base.

But it is, of course, the clarity and coherence of their message that matters most. Businesses don't just need to identify those who speak predominantly about a subject, but also whether or not people pay attention to their opinions. "This is important," explained Mr Lowery, "because if someone is the most intelligent poker player in the world but no-one trusts their opinion, then they are not going to share the information to others. People need that validation in their ideas, which they share as a badge in social media."

Measuring Impact

As Mr Lowery explained to the Summit, "most of the time in eGaming, we're looking for new, funded accounts and new users but what we should also be focusing on is delivering better customers. The success of most

marketing campaigns is often measured on how many new accounts they generate but, with social media, this isn't always the case." Incentivised ad-campaigns, he demonstrated, become, over time, increasingly limited in value. But one of the main things with social media is that it is about the ongoing conversation; how often you can get people to return to your site and how happy they are to recommend it to other people. "Word of mouth marketing is a lot more important than we give it credit for."

"The most important thing about social media, therefore," Mr Lowery concluded, "is that it is about people and it is about relationships. You can't necessarily measure it at the point of a click; you can only measure it over the lifetime value of a given customer. It is hard to do and I think that's why a lot of companies struggle with social marketing."

Gaming Payment Acceptance & Solutions

Joanne Lawrence

Relationship Manager
Barclaycard

Joanne Lawrence is the Primary Gaming Relationship Manager for Barclaycard Global Payment Acceptance. Jo has worked in Acquiring for twelve years, specialising in Gaming for the last six. She also has extensive knowledge of the eCommerce and cardholder-not-present transaction environments. Jo previously worked as Fraud Relationship Manager for Barclaycard Credit Risk Operations, building particular specialisms in Credit Risk and the delivery of Fraud Prevention/Training and Education.

What is an Acquirer?

"An Acquirer is a bank or financial institute that processes credit and debit card payments via the Visa and Mastercard card schemes," began Ms Lawrence. "An Acquirer can interface direct with a business and offer an end-to-end solution or via a third party, so there is a multitude of different ways we can work with businesses."

The Customer Journey

As Ms Lawrence explained; from the perspective of an Acquirer, the

customer journey first involves their being driven to a business's site, whether it is an online or 'bricks-and-mortar' location. Following that, an Acquirer will assist in attracting customers to play, not only in coming to a site but also making a transaction or purchase. Upon registration, an Acquirer tends to assist primarily with the depositing of funds, after which the operator is then concerned with customer fulfilment. The Acquirer will then assist with the withdrawal of winnings. Customer retention and loyalty is dependent upon the



smoothness and efficiency of that entire process, which in turn dictates whether or not they will return to a given operator.

Accepting Payments

Ms Lawrence took this opportunity to dispel the misconception that Visa and Mastercard purely operate credit and debit cards. In actual fact, she explained, there are a number of layers to card schemes and, over the past decade in particular, these have significantly increased in number. Credit and debit are still predominant, however, the likes of 'pre-pay', 'premium', 'business' and 'purchasing' schemes are becoming more prevalent. All have the code-badge of Visa and Mastercard and if a company has an Acquirer, they can process any of these card-types. "But in the gaming sector," explained Ms Lawrence, "what your Acquirer should be looking to do is educate you about the different card-types because each comes with its own unique restrictions."

As an Acquirer, Barclaycard has gained years of extensive experience in transaction management and witnessed substantial pitfalls, fines and penalties, causing the company to remain cautious in its approach to transaction types. As such, Ms Lawrence explained, "what you should be looking for your Acquirer to do in helping with payment solutions is help you build a business case to manage your authentication process. There are different tweaks and bespoke solutions that, as an Acquirer, we can help you to accomplish." For example, she continued, "in the environment that you are in or with sportsbook; if there was an event taking place such as the Grand National, you need the capabilities internally as well as from an Acquirer to switch rules. Whether they be fraud rules or acceptance rules; they need to be able to move with the market that you are in."

Payment of Winnings

"For years now, Visa has been the card-scheme that is 'gaming friendly' with regards to payment winnings, card-present and card-not-present," explained Ms Lawrence. Predominantly, issuers throughout Europe and globally accept payment of winnings without issues. "But we then go into the slightly newer world of Mastercard and Maestro payment of winnings or 'Payment Transactions', which have a slightly different way of working," she warned. "Barclaycard as an Acquirer introduced this on May 31st, 2011 as part of a scheme released in conjunction with Maestro migrating. This scheme is not mandated. Although from our experience it can be used, it is costly and not widely supported compared to the Visa alternative at the moment. Some issuers do not have the capability to process payment of winnings by Payment Transaction and the payment is often returned. This damages customer experience."

Fraud in Gaming: Protection in Every Direction

As a business, Barclaycard has recognised the need for a fraud solution or tool. As an Acquirer, Barclaycard has partnered with various third-party solutions such as Silvertail Solutions in a bid to assist the gaming market with multi-layered, non-intrusive and effective approaches to fraud prevention.

Protection, Detection and Management

Barclaycard works with a substantial portion of the gaming market and, in a bid to demonstrate to the Summit what Barclaycard sees, Ms Lawrence provided a snapshot of the types of fraud which have taken place since March, 2011. 'Card-not-present' was by far the most frequent type, followed by 'stolen' and 'counterfeit'. A line-graph demonstrating the 'monthly fraud to sales ratio' over the

past thirteen months also showed that, compared to all other sectors, fraud is rife in gaming. However, Ms Lawrence stressed that "this does not necessarily mean that gaming is showing a loss from fraud but that reported incidents of fraud are disproportionately frequent within the industry."

Online Fraud in Gaming

As with all other aspects of financial transactions; the public is now better educated than ever before on the finer points of 'Charge-back Rights'. This has resulted in the proliferation of types of fraud relating to customers pretending that a transaction was not their own in a bid to recuperate lost funds. These types of 'friendly fraud' often result in complex charge-back cases, which, as an Acquirer, Barclaycard aims to equip gaming operators against. This also applies to money laundering and identity theft, which, again, is now more common than ever before.

Similarly, Bot-gaming continues to present a significant danger to the online-gaming industry. Ms Lawrence explained that Barclaycard has seen a variety of sophisticated identity-fraud facilitators, including websites which operate almost as a supermarket for identity theft: "funnily enough, they don't accept credit card payments," she remarked.

What Can We Do to Stop Fraud?

To conclude, Mr Lawrence again emphasised that "no device or person can work on its own: speak to one another but also speak to other organisations," she advised. "Gaming does touch base with a lot of other sectors so really do pick people's brains and make use of it. Fraud costs, but with just a few simple steps you can work to reduce this loss. There isn't a 'silver bullet' out there but there are measures that will help you reduce your own fraud."

Mobile Marketing: what does 2012 hold?

Duncan Fisher

Digital Media Director

Latitude Group

Duncan's remit includes planning, strategy, delivery and innovation for clients across all paid digital channels. Recent innovations within the industry have been heavily focused on the emergence of mobile and Duncan's team have produced White Papers on this subject. As well as providing regular industry updates to clients, Duncan has also delivered product insight presentations at external national events.

The Importance of Mobile

Mr Fisher opened his presentation by confirming to the Summit that, despite various commentaries claiming the same of previous years, 2011 was indeed what the Gaming sector would refer to as 'the year of mobile'. He went on to qualify his statement by explaining that, by 2013, Latitude Group is expecting customer volumes to gaming sites through mobile and smartphone devices to exceed those through desktop, meaning that operators who have not done so already should seriously consider mobile as a marketing device.

"Mobile is bridging the gap between online and offline worlds", Mr Fisher assured the Summit. "It is important to understand that there is a very real synergy between mobile and TV advertising, for example, so it really is becoming a very important area for digital marketing as a whole."

The Rise of the Smartphone

"The reason why we're seeing such massive trends, in terms of an increase in volume, is ultimately affordability," explained Mr Fisher. "In terms of how we consume data, mobile is much more affordable and, as devices become much cheaper, these volumes will continue to increase."

Mr Fisher then drew the attention of the Summit to a chart, which showed the market penetration of various communication channels in both Europe and the UK. Smartphone usage in the UK now constitutes 52.6% of the market whilst in Europe, particularly in Italy, Germany, France and Spain, average smartphone usage enjoys 45.2% of the overall market-share. The majority of this usage involves the use of browsers and 'apps' or digital applications, although social media is swiftly becoming one of the key chosen methods of communication via mobile devices.

In terms of mobile operating systems, iPhone continues to enjoy the majority market share, with a 71% rate of uptake. Google's Android OS continues to enjoy a significant portion of the market, although it has undergone a decline in popularity over recent months due to the recent release of the iPhone 4S.

What does this mean for advertising?

"Ultimately," explained Mr Fisher, "if the current rate of uptake continues; we expect to see a billion pound spend in mobile marketing by 2015. We have already seen a 157% rate of growth year-on-year since 2002 and are confident that we will see similar figures next year."

Tablet Growth

"Tablet usage is becoming more and more widespread," explained Mr Fisher, "in the UK, there are now over 3 million tablet users and this figure could rise to over 6 million by the end of this year. There has been a 72% rate of growth in tablet sales over just the past 7-months, which makes them a great opportunity for advertising."

“Mobile is bridging the gap between online and offline worlds...”



Duncan Fisher

The Four-Screen Approach and Responses to Media

“We are now seeing a significant increase in TV advertising for gaming clients, particularly during and around major sporting events,” explained Mr Fisher, “and it is important, when companies take part in this activity, that they maintain a sense of representative consistency across all messages and across all devices. Ultimately, what a company does not want to be doing is encourage users to search for their company following an advertisement, not be able to find your site online and go to the competition - it’s common sense really that you do maintain a joined-up approach.”

Display Advertising

“This is an area that is going to grow and grow,” Mr Fisher assured the Summit. “As mobile sites become more popular, more advertising opportunities will present themselves. There is also going to be increased opportunity for interactivity with mobile banner ads. This, when coupled with the fact that of the £60 million spent on advertising last year, 29% was spent on mobile, makes them a significant area that should be focused on.”

Paid Search Data

66% of all mobile ‘adspend’ was spent on paid search in 2011, while close to 20% of all online spend came to companies through a combination of tablets and mobile. This growth is still

continuing and, as Mr Fisher remarked, “by the end of this year, we expect to see an increase in these figures to 30%.”

Sector Insight

Mr Fisher explained that Latitude Group works with a number of industries, although gambling constitutes a significant portion of its client base. As such, he took this opportunity to compare the cost-per-click for paid search activity for gambling with other sectors. Some key search terms such as ‘casino’ and ‘gambling’ were shown to be very expensive by comparison to other key sector terms. However, Mr Fisher reminded the Summit that “costs per-click can be driven down significantly by the strength of your brand.”

Best Practice

Best practice for paid-search activity consists primarily of conducting thorough research into key word use, explained Mr Fisher. Different key words perform differently on mobile and tablet devices compared to desktop and understanding where to position these key words, at what time and on which platform can give companies a competitive advantage. “It sounds obvious,” he continued, “but it is also important to write specific mobile ads and to send traffic to optimised pages. These should include compelling copy, which includes display URLs, mobile specific USPs and mobile specific calls to action. It is then important to continually test, measure and refine,” emphasised Mr Fisher.

2012 Focus

To finish, Mr Fisher turned the focus of his presentation to market projections for 2012. “Further device releases, such as the launch of the iPhone 5 are going to continually drive the market,” he assured the Summit. “Advertisers are likely to spend up to 30% of their budget online through mobile, and mobile advertising optimisation is going to quickly become a priority. Technologies such as Near Field Communication, or NFC, will also change the way in which people use mobile as it increasingly becomes your constant companion.”

The US & Asia

Warwick Bartlett

Chief Executive

Global Betting
and Gaming Consultants



Warwick Bartlett

Warwick founded Global Betting and Gaming Consultants (GBGC) in 1998. Originally from an operational background, Mr Bartlett now has over 40 years' continuous experience in the gambling industry and continues to chair and present at numerous UK and international gambling conferences. He is regarded as one of the industry's top experts.

Overview

Mr Bartlett opened his presentation with reference to the last time he had travelled to Gibraltar in 2008 to present a message he described as being quite gloomy: "We looked at our economic forecasts, looked at what happened after Lehman Brothers and we said that, basically, the industry was going to go through quite a torrid time."

"But the good news is," he continued, "although times have been really tough, the industry has consolidated; they have reduced their costs, all of the unknowns are now known and I think that the growth story is back on the agenda. Add to this the prospect that the industry may be able to gain access to the US market and you can clearly see why prospects have improved."

"I also think we've reached a tipping point in taxation," explained Mr Bartlett. "I think, depending on which country you are looking at, governments have realised that you cannot tax the industry to death without giving rise to illegal gambling."

Politics and Gambling in the UK

Mr Bartlett then drew the attention of the Summit to a timeline of legislative

and taxation changes that have taken place in the UK since 1961, when gambling was first legalised. It was punctuated throughout by changes made by the Labour, Conservative and Coalition governments.

"Betting Tax was first introduced to the UK at 2.5% in 1966 by the Labour Government, which started the rate of taxation very low because they were pre-conditioned by history," he explained. "When the UK introduced a rate of tax at 5% on turnover in the 1930s, bookmakers found ways to evade the tax and in the end it was scrapped, much to the embarrassment of Government. Fast forward to 1966 and Labour Chancellor, James Callaghan introduced betting tax at the low rate of 2.5%. This time the bookmakers paid but made the mistake of absorbing the tax and not passing it on to the gambler. The result was that in the next budget the tax was increased to 5%! If there's one lesson you take from history, it is always pass the tax on."

Betting tax increased again to 6% in 1970, 7.5% in 1974 and again, in 1990, to 8% under the Conservatives. "But what the Government did was test the system to destruction," Mr Bartlett surmised. "Bookmakers suddenly had falling turnovers and compensated by making the deduction from the customer 10%. That set off illegal gambling." Gambling tax was eventually dropped to 6.75% in 1996, "so this process of testing the system took 30 years and, eventually, we ended up with 15% Gross Profits Tax."

So which Government suits the industry the best?

"It seems like Labour likes to tax the most" explained Mr Bartlett. "The Conservative Party has always been quite cautious on gambling matters but in 1972, they reduced on-course race betting tax to 4%. Why? Because they wanted to encourage people to go to race courses to support the horserace industry. They then abolished it later on, so you had this differential of no tax on the race course and tax off-course. The Conservative Party has always favourably treated the horserace industry – and still does."

"But the interesting thing," as Mr Bartlett pointed out, "is that from 1963 through to the 2001 Budd Report, there were relatively few changes. Since then, the industry has had to contend with changes almost every four months and what this tells you, in my opinion, is that with the 2005 Gambling Act, they got it wrong. With the 1963 Act, they got it right."

The Timeline for Italy

Mr Bartlett then drew the attention of the Summit to a timeline correlating various legislative changes with Italy's Gross Gaming Yield since the Gambelli Case of 2003. He noted that over the past 9 years, Italy's GGY has increased from €6.3billion to €18.9billion per year. "But the interesting thing is that turnover has gone up" he remarked, "GGY has gone up, the tax has gone up, but the percentage of tax to Gross Gaming Yield has actually gone down, and I think that's a case for optimism."

What are the prospects for the USA?

The USA is the world's largest gambling market, explained Mr Bartlett, "and on the 23rd December, 2011, the US Department of Justice gave the lotteries a huge Christmas present by saying that there is now nothing to stop them selling tickets on the Internet. So far, Illinois and Massachusetts are to go ahead, but what of the rest?"

GBGC finds that most simply are not interested. "People will queue block after block for a rollover lottery ticket so why aren't states taking advantage of online? Is it because to do so, they would have to open themselves up to other forms of online gaming and are reluctant to invite competition or that they just want everything to stay the same? This remains to be seen. In the meantime, operators are betting big money that the market will open up by forming strategic partnerships, mergers and acquisitions" he confirmed.

How will the US market open up? What is the timeframe?

Mr Bartlett explained to the Summit that gambling is still a politically toxic subject in the US, which poses the question; will the market open up through state or federal legislation? Due to the politically sensitive nature of the subject, "federal law changes will only happen during the first two years of a given presidency and, if the Republicans win, legalisation of Internet gambling is unlikely to happen," he predicted. "Mitt Romney has already stated that he is opposed to gambling."

"But if we do accept that the US will eventually allow Internet gambling and continues to be the largest gambling market in the world," explained Mr Bartlett, "we have to ask; where is the best place in which to serve the global market and in which to base your headquarters? Which state or country is likely to give operators the best protection when they trade overseas? The most likely place to base your headquarters would be the US and the most likely state would be Delaware because of its tax advantages and close proximity to Washington and New York. Given that the US is the world's largest market; were the US to follow the UK example of adopting a place of consumption tax where profits on all foreign income would be taxed in the US; this would not bode well for the offshore jurisdictions. However, this is very long-term, ten years at least" he reassured the Summit. "Sports betting drives Internet gambling and the US is a long way from legalising sports betting."

Looking to the future

"I envisage lower taxes and a more open market in France and Italy, particularly during the next 5 to 10 years" predicted Mr Bartlett. "But the real growth story, of course, is Asia."

European operators have, historically, had little success in Asia, explained Mr Bartlett. But domestic sites are all very successful in their own markets. Indeed, some are making £6million net profit per month. These sites, he continued, understand the Asian gambler and perhaps more importantly, have the payment

solutions to operate in those un-banked markets. Most also operate on credit, making it very difficult for European operators to penetrate that market because they do not have the connections in place.

Looking Forward

"I'm more optimistic than I have been in the past because all of the unknowns are now known. As we've already demonstrated, changes do not happen as quickly as we would like them to because they move ahead at Governments' pace and not our own. So I think we're looking at a 5 to 7 year cycle for taxation where Governments, due to necessity and a lack of understanding, begin tax at a higher rate only to move down later. We're at a high stage of the cycle at the moment in Europe but I'm pretty confident that it will come down to realistic levels. All this is predicated on the Internet remaining as free as was originally intended," Mr Bartlett concluded, "thank you."

Since the Summit, Mr Bartlett kindly submitted to the report the news that on May 15th, 2012, Italy lowered the rate of tax on slot machines from 12.6% to 12.1% of turnover due to revenue falling as a result of high taxation.

"I think, depending on which country you are looking at, governments have realised that you cannot tax the industry to death without giving rise to illegal gambling."

Customer Acquisition in a Changing Marketplace

John Kamara

Director

Spadesocial

John Kamara is the Co-founder of Spadesocial, the largest video based social network for casino, poker and sportsbook. The site aggregates and categorizes gaming related content for users and helps operators to increase their direct customer acquisition using content, social engagement and precise marketing.

Customer Acquisition and the Marketplace

An energetic and enthusiastic speaker, Mr Kamara opened his presentation by first noting that one of the most interesting aspects of the gaming industry was encapsulated by the morning's session on regulatory environments. "If we were to put it [the industry] to a map," he enthused, "we would see that the landscape is changing because of regulation and that everything centres on it. But this will change and one of the things that effects change is social media.

"A question I am asked all the time, however," he continued, "is: 'Can I convert people from social into real gambling?' My answer is: don't try to, it is a process that will happen organically by itself, if you do the right things."

Changes in Consumer Behaviour

Mr Kamara went on to explain to the Summit that the industry's customers are getting younger. "The winner of the Poker World Series last year was just 24 years old and the top 8 competitors were aged between 21 and 23 years old. They each won between \$1million and \$8million. Online, these people are even younger: the average profile of

bingo players in the UK is aged 23, single mother in Sunderland," he explained. "So the people are changing and if we as an industry don't understand this, we will have a problem."

Social Media

"The bottom line is the traditional marketing we engage in will still live, but a lot of that traditional marketing will do so within social networks" predicted Mr Kamara. "Facebook is becoming the Internet on its own. In China, their social networks are also becoming the Internet on their own. As the market changes: player behaviour changes. They get younger, they get more Internet savvy and they will have been taught from an early age that social media is where they live."

"If I go to Facebook or another social network I can collect data about what people like, what they do; their interests" Mr Kamara told the Summit. "If they like casino or poker I can engage with them before I start serving them products and I have the data sitting in my database that I can match with this."

"But if I receive an email offering me \$100 credit on my first visit, I will just delete it because I've seen a million of those. People are changing," Mr Kamara stressed. "There is a very, very unique interaction between social games and online gambling. But the problem is, you cannot try to justify one with the other. As an industry that enjoys innovative technology, intelligent staff and high profits – you can develop social games that actually make money."



John Kamara

Social Games

Mr Kamara then went on to explain that social games are built predominantly to appeal to the casual, friendly player. "A grinder, an addicted gambler or somebody who loves to play casino or poker will find the best site for them regardless of what you do or do not do, so we're not really worried about those people" he explained. "But what we should be concerning ourselves with are those that play maybe \$20 every two weeks. They don't really care about winning, they come for an experience, they come to see if there is something new that you are creating for them and those are the people you want to create that social experience for."

The Change in Behaviour

Mr Kamara implored the Summit to recognise that there is now an adequate enough amount of data available through social media to chart how customer behaviours are changing and that it can now be acquired more cheaply than through traditional channels.

"We also cannot keep not providing customers with the social experiences they need," he added. "You need to engage with the user and try to

understand their foot-pattern, both online and offline. Angry Birds made more money from virtual goods sales than any gambling company could in a year. How many gambling companies can say that, within six weeks, they can acquire one-million users who pay a minimum of \$1 each? These companies are doing these things because they are appealing to something that is very simplistic; they are not solving any problems, they're just creating the social experience and entertainment that we want online, on-mobile, everywhere around us, because that's what we do as people."

Entertainment: acquiring and retaining users

Mr Kamara drew upon the subject of video as an example of the value of entertainment to the online marketing industry. He explained that customers watching an online video-marketing tool will consume information both more quickly and thoroughly. Whereas, if you ask a customer to read two paragraphs of text; their attention will quickly diminish. The success of social entertainment, he contended, is based on a company's ability to convince the customer that the reality of their being

asked to take in information is not a reality. "Video-marketing," he explained, "is one of the most effective ways of acquiring and retaining users in the current web and online marketing space. As an industry, we have to find a different way of reaching these people: they are still there but what they are consuming is changing. The way they are interacting with us is changing."

Innovation

To conclude, Mr Kamara touched upon the topic of innovation. "We are a very innovative industry. But with the social part of it, we are just sitting on the fence. As an industry, we have the tools already and are in the right place. We have the right types of products for us to go back and think about the right kinds of social experiences that we are going to create for our users. Based on that, we can begin to innovate with new products that bring users closer to us. We're talking about a huge chunk of the market here. Social gaming brings to us people that we would never have otherwise been able to talk to and these people will feel more comfortable with sharing the experience of playing on your site with others."

"The bottom line is the traditional marketing we engage in will still live, but a lot of that traditional marketing will do so within social networks"

Panel Session

The panel session was moderated by Russell Kelly. The panel consisted of Tim Bristow (Gibtelecom), Archie Watt (KPMG Gibraltar), Dominik Kofert (Poker Strategy) and Jason Bird (Silvertail Systems)

What additional capability will the 4G network provide for mobile gaming and mobile platforms?

Tim Bristow - "Speaking to an educated audience," Mr Bristow began, "I think everyone knows that 4G will be able to handle mobile gaming much better than 3G." Gibraltar currently supports both 2G GSM and 3G with HSDPA, or High-Speed Downlink Packet Access and, although like many countries throughout Europe Gibraltar has not yet licensed 4G, it will eventually do so.

On infrastructure generally, Mr Bristow explained that Gibtelecom is a leading telecoms provider in Gibraltar. He reminded the Summit that a decade ago, when the eGaming industry first began to flourish in Gibraltar, availability of

international bandwidth was an issue but this has since been resolved many times over. Gibtelecom is currently using less than 10% of its overall international capacity and is a founding shareholder in the submarine cable project, the EuropeIndia Gateway. Some 90% of the extra capacity generated through this partnership will now be sold globally, making Gibtelecom a global carrier of international connectivity. "I think the international connectivity issues that existed a while back in Gibraltar are now a thing of the past," Mr Bristow assured the Summit.

In the current economic climate, where cost-control is of paramount concern; could companies benefit from outsourcing activities such as social media, marketing and staff training?

Archie Watt - "Gaming companies are already outsourcing a significant part of their marketing efforts. All of those that I have dealt with here and on the Isle of Man have dedicated marketing teams who historically have focused on online marketing but I think where they are struggling is with social media." Mr Watt also emphasised the importance of companies first recognising what it is they are trying to achieve before choosing the right outsource partner to deliver a strategy.

Jason Bird - Mr Bird agreed that outsourcing provides an excellent way of benefitting from the experience of others, particularly when many outsourcing companies already have experience with larger concerns. However, he recognised that many companies may be reluctant to outsource due to the risk of losing specialist skills and employee focus: "no-one really takes your business as seriously as you do," he remarked.

Staying with the theme of social media, education and entertainment: at what point on the spectrum of social gaming do you think gambling would best fit?

Dominik Kofert – Mr Kofert explained that there are two aspects that the industry should be concerned with. The first concerns the complexity of the activity, i.e. is it an easy or complicated game to play? If it is easy, education is not necessary as a conversion tool, however, if it is complicated, then education through social gaming is definitely beneficial to the industry. Secondly, as Mr Kofert

explained, the industry needs to consider whether or not the game itself is open to education. Poker, for example, is a very complicated game but a player's enjoyment may be derived from the process of education itself. Bingo, however, does not lend itself to education but may be more open to social entertainment as a complementing factor.

There are already quite a lot of social gambling and poker sites operating from the US: do you think these sites are at an advantage with the US opening up?

Dominik Kofert – “With regards to the US, everybody is indeed trying to ready themselves for regulated poker, so the challenge that these companies are facing lies in building their competency in operating poker and in building their databases,” explained Mr Kofert. “With regards to the

educational and social components, if a company operates a poker room alongside a social community and alongside a good poker-school, they will get ahead even before the market opens. It is this kind of positioning game that US operators are playing at the moment.”

How much revenue does HM Treasury feel that they will generate from the place of consumption tax?

Russell Kelly – Having been furnished with a series of figures by Maria Brennan of HM Treasury, Mr Kelly explained to the Summit that, based on a 15% rate of taxation and a 2014 date of implementation, HM Treasury expects to raise £70million in additional revenue per year by 2014/15, rising to £250million by 2015/16.

Speaking from the floor, Maria Brennan again emphasised that all figures are subject to review during the ongoing consultation process and that, consequently, “these figures should not be taken as a given.”



Questions from the Floor

Building on the tax points, the Minister and Phill Brear this morning seemed fearful that, if the UK gets its way on the tax regime, many operators would leave Gibraltar. Do the Panellists share these fears?

Tim Bristow – “I think it is a difficult question because the licence holders in Gibraltar are all very different companies. Some are predominantly UK orientated, meaning the place of consumption tax could have a dramatic effect, but for others the UK market is a relatively small part of their business.” Mr Bristow explained the importance of considering the entire ‘package’ that Gibraltar offers to operators. As a territory, Gibraltar enjoys stable governance, good fiscal arrangements and is well regulated: “there are many things in the mix that would make for the decision of a particular company,” he explained, “so I don’t think any changes would be as dramatic as it might first appear.”

A delegate from the floor also added that Gibraltar operates a system that does not include charges on VAT, meaning spend on other industry aspects such as advertising

and marketing, I.T. and telecoms “are going to go 20% further than they would do in the UK.” Whilst a point of consumption tax in the UK is a pressing concern, from a tax perspective there are many other compelling reasons for operators to remain in Gibraltar.

Archie Watt – Mr Watt reminded the Summit that it is also important to maintain that the costs of employing people in Gibraltar are significantly lower than in the UK. “Payroll taxes, for example, are high in the UK. Indeed, the UK is, comparatively, a high-cost place in which to do business, which is another incentive for operators to remain in smaller jurisdictions such as Gibraltar, the Isle of Man and Malta. The emphasis on education here can also only be beneficial to the industry and Gibraltar itself,” he remarked.

What three things would each member of the Panel do to improve Gibraltar’s situation as a whole for e-business, to make it a more attractive destination for new e-business, to improve the local talent pool and to improve Gibraltar’s reputation globally as an e-business hub?

Jason Bird – “Infrastructure is a key part of Gibraltar’s attraction to operators, as is the added value the jurisdiction offers around security and services and, of course, the lower rates of charges for employing personnel. These are all advantages that Gibraltar currently enjoys and would do well to maintain,” Mr Bird remarked.

Dominik Kofert – Mr Kofert expressed his desire to see more tax treaties between other countries and Gibraltar. He also noted that, although there are plans for improvement, if telecoms infrastructure is to become a major selling point of Gibraltar’s, then globally competitive Internet connectivity must become a part of everyday life and be available in every household. Finally, Mr Kofert noted that, although it would of

course be very difficult to resolve, Gibraltar’s border arrangement and the subsequently limited availability of living space does provide a disincentive for employers to relocate.

Archie Watt – Mr Watt raised the issue of providing a secure power supply to operators as his first concern. Secondly, he advised the Summit that the issue of work permits is something Gibraltar needs to be conscious about if it is to continue to attract high-calibre staff.

Tim Bristow – “Absolutely vital to your question is technology,” began Mr Bristow, “without any shadow of a doubt, none of the eGaming businesses in Gibraltar would be here if the telecommunications network was not up to scratch.” Mr Bristow also thought it necessary to respond to the Panel’s concerns surrounding Internet speeds, noting that, unlike in Gibraltar, actual broadband speeds in other countries rarely meet those advertised. “We are also currently installing the technology to deliver 40Mb broadband access to every household in Gibraltar,” he added. Secondly, Mr Bristow explained that, although Gibraltar enjoys a very

successful education system, traditionally a lot of young people tend to go on to train as lawyers and accountants. He suggested that, in order to meet the demands of Gibraltar’s increasingly diversified employer base, particularly within the e-commerce world, it needs to diversify its educational resources. “Third is the government generally,” explained Mr Bristow. “Although they are very supportive of the eGaming industry, I think that they too have to be more ‘e-wise’ because that is the world we now live in.”

Which of the European regulatory models do you think has been the most effective over the last 3 years?

Archie Watt – “I think this question comes down to the definition of ‘effective’,” began Mr Watt. “If you are trying to say that you are protecting people, preventing under-age playing and so on, then the French system has been very good. In terms of controlling the flow of cash deposits and going through a ‘suck it and see’ process of releasing new types of gambling to their population, the Italy model has gone down very well indeed. The UK model has also been great because it took the spirit of the Treaty of Rome to heart and allowed for the free movement of goods and services. As a Libertarian, my view is that the UK model, as it was, was the best one. I am, therefore, somewhat disappointed to see that protectionist principles are now being employed by what was previously a liberal government in the UK.”

Tim Bristow – “Well I think the answer is that the perfect European model is Gibraltar’s” remarked Mr Bristow. “I think another good model was the UK but I think they may now be going to lose the plot. I think they will find that they had a good model and that the problems that they are trying to remedy will not be resolved by taxation.” Mr Bristow explained that it is the overall package and climate in which to do business that would attract companies to the UK. “The UK is a great place; it is highly regulated and very well respected but I don’t think their current taxation solution is going to meet their ultimate objective. So, my vote would be with Gibraltar, a world-leading online-gaming community.”

Dominik Kofert – Mr Kofert agreed with the sentiments of Mr Watt and Mr Bristow, adding that, from an online poker perspective and indeed the Internet in general, he was strictly opposed to regulatory models that serve to ring-fence a single country to its market. “These kinds of developments are strictly against the nature of the Internet,” he stressed, “and I think that they are measures that no good regulator should take.”

Jason Bird – “I think the more you drive those regulations and force people into playing on sites that are based in non-regulated territories or those that are based underground, the more dangerous it is to the industry” warned Mr Bird. “We see thousands of attacks on Internet-consumers daily within regulated sites, let alone those where there is less control, so I think anything that helps drive that security and keep people within a regulated environment where we can keep them safe and protected has got to be a great thing and should be encouraged.”

Tim Bristow – “I just want to add that, in this industry, the technology is ahead of the politics and the politics is always going to be catching up. It may take many, many years but I believe that the politics will eventually find a way of embracing all that the industry has to offer.”

Closing Address



Russell Kelly

Russell Kelly

Director, Audit & Advisory
KPMG

Russell joined KPMG in 1993 and has since worked for KPMG in the Isle of Man, Gibraltar, London and Jersey. His client experience encompasses financial services, telecommunications, real estate and eGaming. Russell also undertakes transaction services and SAS70 work, which includes acting for clients with respect to acquisitions, disposals and flotations. In particular, he has advised on flotations on the LSE, AIM, Luxembourg and New York Stock Exchanges.

On behalf of KPMG, Mr Kelly expressed his delight at being given the opportunity to run the second KPMG eGaming Summit in Gibraltar and to see the fantastic levels of support KPMG received from speakers, sponsors and all those in attendance. KPMG were proud to see an excellent turnout from a very broad cross-section of the eGaming community and were glad to hear the reassuring messages offered by both Government and key industry figures throughout the Summit concerning the future of the industry as a whole.

"Gibraltar's commitment to remaining at the forefront of the eGaming industry and to being the premier jurisdiction within Europe is fantastic,"

Mr Kelly enthused, "and this is due, to a large extent, to the solid foundations laid by Gibraltar over the past 10 to 15 years by the previous government and by the businesses that were first in to the jurisdiction. It now falls to the sector to build on that infrastructure and to take things forward."

"I would also like to thank all of our speakers and also our sponsors - Continent8, Silvertail Systems, People Dimensions, Chesterton, Barclaycard, GibTelecom and Callcredit Information Group - for making the day possible. Finally, I would like to confirm that KPMG will be hosting its third eGaming Summit in Gibraltar next year and we hope to see you all again soon. Thank You."

"Gibraltar's commitment to remaining at the forefront of the eGaming industry and to being the premier jurisdiction within Europe is fantastic..."

All of the speaker presentations from the day are available for download at <http://www.kpmg.com/GI/en/IssuesAndInsights/ArticlesPublications/Events/eGaming-2012/Pages/Summit-Programme.aspx>

If you have any further queries regarding the Summit or the topics covered, you can contact KPMG Gibraltar on +350 200 48600



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