KPMG eSummit, Gibraltar

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A Word from the Sponsor

Continent 8 is delighted to bring you this report from the 10th anniversary KPMG Gibraltar eSummit, keeping you up to date with the latest developments and thinking in the eGaming sector in Gibraltar and further afield. Although this anniversary event was held one year later than originally planned due to the COVID-19 pandemic, it's clear that the eGaming industry has continued to grow and progress at a fast pace in what have been challenging times for the whole world.

This is undoubtedly due to the passion and perseverance of those working in the eGaming space, who continue to push to improve the customer experience both through the application of technology and in their approach to good governance and customer care. It is this same passion that has driven KPMG to deliver the eSummit series as a way of sharing knowledge and exploring critical issues for the industry, and we have proudly supported them on this mission since the first event took place in the Isle of Man in 2010.

Continent 8 is a global infrastructure partner to the eGaming industry, providing managed hosting, connectivity and security solutions to many of the industry's biggest brands. We have data centres and strategic points of presence in over 80 connected locations spanning Europe, the Americas and Asia, including our state-of-the-art and unique data centre deep in the Rock of Gibraltar.

2021 was one of our busiest years to date, and despite the challenges faced, our team worked tirelessly to expand our network, particularly in the US, and enhance our award-winning solutions. We augmented our Secure product to defend customers against a growing number of cyber threats and expanded our Cloud services. This included the launch of our Public Cloud in Gibraltar, responding to market conditions and the demand for innovation in infrastructure by Gibraltar businesses.

Over the next 10 years we will be delivering many more technological solutions to the ever evolving eGaming industry, and we look forward to partnering with you on this journey.

David Black

Managing Director EMEA
Continent 8 Technologies

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KPMG eGaming Summit Welcome Address

Hon. Albert Isola MP

Minister for Digital,
Financial Services & Public Utilities

As has become tradition the eSummit was opened by the Hon Albert Isola, the Minister with responsibility for digital services in Gibraltar, including gaming. Minister Isola began by thanking KPMG for bringing the room together at such a difficult time, noting that it was the first event that KPMG had held face-to-face since the pandemic. He gave a special thank you to Micky Swindale for being "the heartbeat of the summit", not just in 2021 but throughout the past 10 years since the first eSummit took place in 2011 and to all the sponsors who had facilitated the event over this time.

Minister Isola then reflected back to the first Gibraltar eSummit and the words of the Chief Minister at the time, Sir Peter Caruana, who had talked of the resilience of the gaming industry. This was a point that rang just as true today, he said:

"There is no question that this sector more resilient than most. During the pandemic, we all had a torrid time. Businesses were disrupted to an extent that we've never seen before.

Government set up the COVID-19 Emergency Liaison & Advisory Committee (CELAC), a group of representative organisations from all of the business communities and the unions, to look at and think about the challenges we were going to face during this period and how we could best deal with them. From there came the big measures, the furlough measures, and all the steps that we introduced to support business.

Of course, the Gibraltar Betting & Gambling Association (GBGA) was represented on CELAC. I remember that at the very first meeting, we asked each different member association what help they needed in the way of support measures during COVID-19. The GBGA said from day one, "No, we're fine. We don't need any help. If we do, we'll come back to you." And that was the stated position on each and every occasion that we met throughout the entire pandemic. The GBGA never asked for a penny, and didn't receive a penny, of furlough.

From where I'm sitting, that's pretty remarkable and pretty incredible. So from government to you, I say a huge thank you for your professionalism, for your support and for the ability you have just to get on with business and make do with what you've got. From our perspective, it really was quite extraordinary.

Similarly, with the vaccination programmes, where we invited you all to give us details of staff who did not live in Gibraltar but who worked with you. It was fantastic to see the response from all of you, thanking us for extending the vaccine programme so that you knew that members of your teams could be fully vaccinated at the earliest opportunity. We did it, and we got there together. So again, my thanks to you for your help and support in doing that.

I also have to thank the licensing team at the Gambling Commission who just carried on. Whether they were working from home, whether they were taking it in turns in the office, they just kept going. So they kept on working on MONEYVAL, on consumer complaints, on new licences (which there were), and just business as usual. So my heartfelt thanks to all the members of the Gambling Division, who were driven during this period by Andrew Lyman, himself a COVID-19 victim, but who just carried on getting on with their jobs in a way that has made me enormously proud of them and the work they've done this past 18 months.

One of the measures that has been introduced during this period has been the Centre of Excellence in Responsible Gambling (CERG). You will know from previous years that I've been especially keen to design bespoke courses for you to put our jurisdiction ahead of the curve in terms of responsible gambling. Many of you have taken steps yourselves as well.

It's been no secret that this has become an increasingly important issue across the world and particularly in the United Kingdom, where you could say that they are becoming increasingly aggressive in dealing with some of the aspects of how we deal with responsible gambling. So, some years ago, we took the view that we should ask all of you to send your staff to responsible gambling courses.

It would be wonderful for the jurisdiction to be able to stand up and say this is the only jurisdiction in the world where every single member of staff with customer interaction has been through a responsible gambling course. We believe that will hold us in good stead.

So I'm delighted to welcome Zsolt Demetrovics, the chair of CERG at the University of Gibraltar and thank him for taking on this endeavour. And also to thank the Gibraltar Gambling Care Foundation which has been set up during the course of the last 12 months and the trustees of the Foundation, the GBGA, who have been instrumental in getting it set up. Huge thanks to all of you for the work you have put into it, and for the work with the University and the CERG to design the courses that you will be supporting.

I met with the GBGA a couple of weeks back when we talked about some of these courses. The courses are not a punishment. They're not a badge. If it's going to work, they've got to deliver value to you. And so the better we make these courses, the more your staff will benefit from them and the more the jurisdiction will benefit from them. I'm very grateful to the GBGA for their active engagement with the University and with the Foundation to get us to a place where you will all get value in respect of those courses that your staff will be attending.

I also need to thank you for your work on MONEYVAL. We've just had back the latest part of the report on our technical progress. It confirms we've made excellent progress. We're now working on the effectiveness measures to ensure we get to exactly where we want it to be. But I know that all of you engaged with evaluators some time ago and with the ongoing work that's been happening. So that's really important for us. You will have seen the results of being put on grey lists in other jurisdictions comparable to ours. We need to work extra hard to ensure that we don't find ourselves in that position and I'm determined that we won't.

I'm pleased to report that the gambling legislation that had the handbrake put on for Brexit and then for COVID-19 is now in motion again. Hopefully, with no further interruptions, we will be able to consult with you shortly before a draft bill is published. The intention is that you will see a final draft when we've had extensive consultation with you.

I believe the draft legislation does not compromise any of the principles or philosophy that we've always had. It is a new regulatory framework, a flexible framework but, nonetheless, it is new and there are bits in it which you will need to work through with us to ensure that we all understand what each expects of each other in that new relationship moving forward. My thanks to the team who will be talking to you in one of the sessions this morning.

Brexit has come and almost gone. You've all changed and adapted to the threat of 2016 with UK business. Gibraltar has now moved, transitioned naturally because you've made it happen naturally. So we now have no EU business in Gibraltar, and we're focused on the UK and the rest of the world.

When this conference started in 2011, there were around 2,000 people employed in the gaming industry, a very good number. At the height of Brexit in 2016, we had 3,500 people employed in the sector. Today, having lost all of that EU business, we have around 3,400, which tells me that despite the loss of the EU business, you continue to grow and I congratulate you and thank you for your confidence in us.

Brexit, of course, brings the issue of the border fluidity. The first item on our heatmaps following the referendum in 2016 was border fluidity. We recognise it's important to all of you. So the work on the proposed Schengen treaty is ongoing, it will continue. I don't expect it will be completed by 31st October but we still work towards that date. We believe that the treaty will give you, and all of us, the fluidity to enable you to continue to grow on the basis of shared prosperity. We continue to work very hard to deliver that to you.

Also, as you would expect, we continue to prepare under the auspices of the Deputy Chief Minister's office for a no-negotiated outcome position. So Plan B is well advanced. We're in a much better position than we were two years ago when we began this process and I know those of you in the GBGA who have been briefed by the Deputy Chief Minister will have seen first-hand the extent of the work that's gone in to preparing for a no-negotiated outcome position at the end of this year. So we're ready if we have to be.

Border fluidity is also part of the no-negotiated outcome planning. But I very much hope and expect that we will not need to go there as we progress towards delivering the Schengen treaty.

The future also has some challenges with the UK. We enjoy excellent relations with the United Kingdom Government, both with the Department for Culture, Media & Sports (DCMS) and the UK Gambling Commission. As you will all know better than me, they are currently in a state of flux. They seem to be playing musical chairs to a degree that none of us had foreseen. So our engagement with them continues now more than ever.

You have the issues of the gambling review, you have the issue of affordability and we are certainly working with you. I'm delighted that Brigid Simmonds from the UK Betting & Gaming Council is here today with us and will be speaking to you. We intend to continue to work with her and her team in seeing how we can coordinate our efforts to ensure that the people making the decisions understand with fact and data, the real positions that, in many instances, they are guessing.

On this note, I would strongly encourage you all to engage with the University in the provision of data. That will help Zsolt and his team at the University to take some benefit in terms of the research that they carry out from here.

We will continue to work with you in ensuring that the position in the UK is as sensible and reasonable as it can be and I know many of you are engaged directly and indirectly in seeking to ensure that the outcome is sensible.

In closing, I thank you all for being here. I can assure you that, as your Government, you will find a willing partner in everything that you want to do. Obviously within the realms of reasonableness, which I fully expect you to have.

We are entirely supportive of what is an extremely important part of our business community. We listen to you, we work with you and we're very happy that the relationship we enjoy is transparent, open, cordial, and professional and there's nothing more that I could ask from you. So I will close by simply saying thank you.

Thank you for the way you've worked in these horrible past 18 months. Thank you for your professionalism, your endeavour, and for just getting on with it in the manner that you have. I know some of you have had, to boot, an extraordinarily good year, which is excellent news, and I very much hope that that will continue into the future."

Gibraltar Gambling Act Update

Presentation by Andrew Lyman

Gambling Commissioner and Executive Director at Government of Gibraltar

One of the most hotly anticipated and important developments in Gibraltar's gambling sector is the introduction of a new Gambling Act. Whilst work began on this back in 2016, other events have conspired to delay its progress in the intervening years. A draft Act is now expected to be published shortly for industry consultation. Gambling Commissioner Andrew Lyman gave delegates a quick run through of some of the changes they can expect to see.

"So the new Gambling Act is on the way. The draft is 185 pages long but you'll be glad to know I'm not going to attempt to go through the whole thing.

Before we look at the main sections of the Act, I'd like to thank the people who've been involved in the construction of it. Some of you will know that this first started with a review of the original Gambling Act in 2016 but COVID-19 and Brexit very much got in the way.

I'd like to thank the three Peters who have acted as advisers to the Minister along with the wider project team which has included my predecessor Phill Brear. And a special thanks to David Walsh, who's done a lot of the detail.

We are all going to be stakeholders in the new Act; me as regulator, you as operators and B2B suppliers. I, personally, think the draft is a quality product but we want to put it out to the industry so that we can have a genuine consultation about what works in the Act, what you think doesn't work, and whether or not elements of the Act need to be amended. We have got to a point where we think that it's fit for purpose.

Clearly, there have been some very significant changes in the industry from 2016 and, as the Minister mentioned, we've lost EU business.

When you look back at the original 2005 Act, it was one that was designed for a different world. Gibraltar was a point of supply jurisdiction and the Act was framed around technology being here, and B2B suppliers' technology being here. Now we're in a completely different environment.

From around 2016 onwards, we've had hybrid cloud providers, who previously had not been interested in gambling, all now competing in that space. Licences have opened up all over the world. There's a more liberalised regime and your businesses have changed in terms of format. You're now multi-jurisdictional, facing into many different jurisdictions with different licensing regimes. Gibraltar has got to remain relevant and remain as a first tier licensing jurisdiction in a changing world.

Looking at the key objectives of the new Act, we need to modernise and ensure the credibility of the regulatory framework for the future. It's got to be future-proof. We need to maintain Gibraltar as an attractive regulatory jurisdiction and, again, take account of the changing nature of the way that gambling is delivered on a worldwide basis.

The Act is flexible in that it enables the Minister to make regulations – and the Gambling Commissioner to issue Codes of Practice – so that we can keep up with changes within the industry. There are going to be new investigation powers and sanctions within the Act. We've never been an enforcement-led regulator but the Act needs that sort of flexibility. On the other side, there are will be rights of appeal against key decisions and ultimately an appeal to a Gambling Appeals Tribunal. So there are checks and balances within the whole Act.

We are going to introduce an approved person's regime very similar to the PML (personal management licence) regime and there will be a debate with the industry about which functions need to be licensed specifically.

One of the objectives of the Act was to make it consistent with the other regulatory Acts in Gibraltar. So you will see some aspects of financial services terminology imported into it. But when you get a copy of the draft, you will see that the advisors to the Minister have worked very hard in making sure that the Act is intuitive.

We also need to reflect the changing nature of the supply chain. Many B2Cs now have their own proprietary technology but there are many businesses that have a diversified supply chain with perhaps a platform in a different jurisdiction to the one in which they run their business, for example. So again, we have to be flexible on that.

Another element is around what I would call legitimate unlicensed gambling in Gibraltar, such as marketing and the like. Subject to consultation, the proposal is to bring the likes of marketing and affiliate marketing within the ambit of the legislation and I know this has been a debate in the UK.

In terms of the principles of the Act, Gibraltar licences have always been based on economic contribution. The contribution gambling makes to the economy is very significant but also what is the contribution that operators themselves make to the economy in terms of people, offices, IT, infrastructure et cetera?

I know that technology has been, and will continue to be, a subject for debate. There had been a strong representation, for example, that we ought to take the Malta approach, which was simply to allow almost unfettered use of the cloud with replication back into Gibraltar. But we've settled on the concept of substance. It's a concept that's familiar to anybody who's aware of the OECD definition. We've settled on what I could describe as a sliding scale.

So, in order to have a licence in Gibraltar, you will need to have some degree of substance here. For example, if you're a large B2C with a large number of people working here and an office here, then you're more likely to have a much more liberal approach applied to your technology. But, as I've said to one or two people, you don't get something for nothing. So you can't be here and be licensed if you're not prepared to make some sort of contribution to the economy.

It may well be that you're a relatively small software supplier. You won't have many people here and you won't have huge office space here. But what we would want is for you to have some degree of technology here.

"Clearly, there have been some very significant changes in the industry from 2016 and, as the Minister mentioned, we've lost EU business."

Regulatory Objectives

Gambling Division
HM Government of Gibraltar

9. The gambling regulatory objectives are –

- (a) the preservation of confidence in gambling markets;
- (b) the protection of consumers, especially children, young persons and problem gamblers;
- (c) the promotion of fair and responsible gambling;
- (d) preventing gambling being a source of crime, being associated with crime or being used to support or proliferate financial crime;
- (e) the public interest of Gibraltar including (but not limited to) its reputation and macro-economic interests,
- as more specifically described in Schedule 1;

This doesn't mean that you can't take advantage of the cloud. You might even be able to host in the cloud. I've had some very interesting conversations recently with operators and B2Bs who have told me it's impossible for them to have technology in Gibraltar. When I pushed a little bit harder and asked them to take a step towards me, they need to have some sort of substance here, they've been able to find a hybrid solution. For example, by having their random number generator here, hosting outside and coordinating the two. So there are hybrid solutions that are available.

My experience is that because the hybrid cloud providers are pushing so hard on this, it may well be optimal to have everything on the cloud. But we've settled on the whole idea of substance so there's got to be give-and-take in the conversation and some degree of regulatory discretion around conditions of licensing.

Another key issue is that, again, the original Act was all framed around having your technology here, that's where licensing brought people within scope. We haven't used this phrase but "mind and management" have been added to the licensing criteria. So, for example, there are businesses here where most of their C-level executives are here but they have technology which is outside Gibraltar. Technically they may not fall within the licensing perimeter but, under the new Act, they will fall within it.

In terms of timescales, I'm of the mind that we need one final urgent review by the project team and the advisors to the Minister on the draft that we've developed. We're going to put out fairly quickly a draft Act and an explanatory note to all the key stakeholders.

It's right that we hold workshops with key stakeholders as well and we obviously need to have a consultation about the various licensing categories and the fee levels. We're not looking to "sting" the industry as far as this is concerned. The general principles of licensing are around cost recovery: at the end of the day, we need to recover our costs for the purposes of licensing. So, with regards to timing, as the Minister said earlier, that starting gun is fired today!

Clearly, regulation will have to be in line with the regulatory objectives of the Act. You'll note that we've got the preservation of confidence in gambling markets and many of the objectives will be familiar to those who are licensed in the UK.

There are some subtleties around this – we talk about protection of consumers, especially children, young persons, and problem gamblers. It was me who didn't want to use the word "vulnerable". There's a great debate in the UK about who is vulnerable to gambling. I view it as a legitimate leisure activity and many people who indulge in it aren't vulnerable. But there are some who are. Overall, there is nothing in the objectives that would come as any surprise to any of you, and within the Act, there is a greater explanation of the definition of the regulatory objectives.

For B2C operators the proposition doesn't change, other than the "mind and management" requirement. Perhaps the biggest area of controversy is B2B and the team has had a very significant debate about what should be licensed as far as the B2B supply chain is concerned. I think that debate will now continue with the industry.

At one end of the scale, you could take the view that you could make the B2C operator vicariously liable for all of its suppliers because it's the B2C that interacts with the customer. But having been involved in technology discussions for nearly four years now and involved in approving elements of the supply chain, I've been convinced that, from a regulatory point of view, it is important for the regulator to approve or license the supply chain, including in some cases, extra territorial licensing. That would be done by exception.

My predecessor battled with all of this in a changing environment. We developed the concept of sheltering because we wanted B2Cs to have a steady flow of gaming content but, at the same time, those people couldn't be forced into immediate licensing. Sheltering was a step towards licensing and the whole process has become much more complex as things have gone on.

For example, you might have a large B2C that did not have its own betting platform, its betting platform would be operated by someone outside the jurisdiction. So we gave exemptions for that sort of architecture. But the project team have come to a view that this sort of activity needs to be licensed. We're going to stick to the principle of substance but the Act is flexible to allow some extra territorial licensing as and when required. Which is no different to the approach of Malta or the UK because the UK licenses software suppliers and Malta has the concept of critical gaming supply. To an extent, I've shamelessly plagiarised here because, if you're constructing a new Act, why wouldn't you take some of the best bits of other people's regulation?

So on extra territorial licensing, this will be a debate for consultation but we've attempted within the Act to look at the sub-categories of B2B supply. Some of them will be relatively agreeable to people, such as content aggregation and live gaming services. I'm not saying you will need a licence for all of these activities, but these are the sorts of activities which we believe should be licensable.

There will be some which are perhaps a bit more controversial. One of the debates we've had is that, because the supply of data is so important now to gambling operators and there are issues around integrity in sports betting et cetera, whether or not we should be looking at regulating, on a B2B basis, the supply of the betting data, which is a critical element of the supply.

Extra Territorial Licensing- Licensing required for all essential suppliers??

- For the purposes of subsection 17(1)(ii):
- providing facilities for remote gambling includes providing-
- Content aggregator services or facilities;
- Server-based content software;
- Live gaming services or facilities;
- A platform for gaming and or betting;
- Real betting data, event content and or odds;
- Managed trading services
- Virtual or simulated content for the purposes of betting;
- One or more of the following services in connection with gambling –
- Fraud prevention and or risk management services;
- Customer due diligence assessment or compliance;
- Customer identification verification services (ii) facilities for remote gambling shall be deemed to have been provided in Gibraltar, regardless of where they are provided from, if they are provided to or for the benefit of a licence holder.

We're also going to introduce a third category of licensing. This is for what I would call the legitimate unlicensed area. So other activities that are considered to be licensable are marketing issues and there is also a debate around whether we need to license some of the IT providers. If you're licensed in Malta, this list will be fairly familiar to you.

The Act provides further definition about what is licensable and what's not licensable. The Act introduces regulated function for individual licences. It also introduces threshold conditions and if you work with financial services you'll be very familiar with this, as well as issues like conduct rules, location of offices, suitability and customer funds.

So, as I said earlier, the starting gun has fired. There will be some debate, some finessing of the Act required but we think we've got it into a position that we here in Gibraltar are happy with. It will ensure that your businesses flourish and it will ensure that Gibraltar's reputation as a tier one jurisdiction is maintained."

Further Definition

Gambling Division
HM Government of Gibraltar

Providing facilities for remote gambling

19 (1) For the purposes of this Act, a person shall be regarded as conducting, managing or providing facilities for remote gambling in or from Gibraltar if:

- at least one piece of remote gambling equipment used in the conducting, managing or provision of the facilities is situated in Gibraltar; or
- that person carries on or conducts remote gambling in or from Gibraltar; or
- that person carries on or conducts remote gambling in any other part of the world from Gibraltar; or
- that person, in or from Gibraltar, conducts or is responsible for the organisation, authorisation, marketing, production, operation or any other form of management of remote gambling equipment located anywhere in the world; or
- that person, in or from Gibraltar, enters into, offers to enter into or holds out as able or willing to enter into a gambling transaction, whether remotely or non-remotely, regardless of whether the gambling is to take place in Gibraltar or elsewhere.

Fireside Chat: Reflections on a decade of Gaming in Gibraltar

Moderator: David Black

Continent 8 Technologies

Panellists:

Sir Peter Caruana QC

Founder and Senior Partner at Peter Caruana & Co.

Peter Isola

Senior Partner ISOLAS

Peter Montegriffo QC

Partner, Hassans

Danny Hook

Director of Enterprise, GibTelecom

As a long term sponsor and supporter of the eSummit series, beginning with the very first event in 2011, it was fitting that David Black of Continent 8 Technologies took on the role of host for this Fireside Chat. Joined by four of Gibraltar's most senior and highly experienced industry figures, the panel looked back at the many changes to the eGaming industry in Gibraltar over the past decade and what this might mean for the future. David began by asking about the state of play of the gaming market in Gibraltar 10 years ago.

Sir Peter Caruana QC: A lot has changed for the industry in terms of technology, the move towards exporting of functions, and co-locating and relocating functions. But for Gibraltar, and those who administer gambling policy in Gibraltar, very little has changed because we have always been in the position of reconciling the needs of a jurisdiction that wants to host this industry, but wants to host it responsibly – and in a way that can look after our own jurisdictional, mainly reputational, interests.

In an industry that gallops, the last 10 years has seen an exponential increase in its gallop rate, with technology and changing ways of doing things. So, the challenge from the jurisdiction's perspective has been really to keep up with those at the coal face, how we remain friendly but safe, attractive, but selective.

Many of you in this room have been in Gibraltar long enough to know that we have always been a selective jurisdiction. We've never gone for volume or for numbers. We preferred to limit our exposure to this industry to hosting players that would share our jurisdictional interests and concerns, and become stakeholders with us in that.

The Act that you've had a very preliminary peep at today is designed to allow that to continue. Not to place new challenges in the path of an industry which is already successfully and responsibly established in Gibraltar but to continue despite the trend for multi-jurisdictional function location, for technology that makes functions less accessible to regulators, for spreading things around lots of jurisdictions in a way that makes it harder to pin down where somebody is actually based.

The current government remains committed to the same principles that have been the basis of Gibraltar's success in the past and the Act is designed to ensure that regulators in other countries that are important to us can continue to have confidence in Gibraltar.

David Black: Peter Montegriffo, has Brexit affected Gibraltar's attractiveness as a gaming jurisdiction for good or bad?

Peter Montegriffo QC: As the Minister mentioned earlier, the industry has transitioned from its previous pre-Brexit offering to a post-Brexit offering. And the results speak for themselves: we can see what has happened, you've reinvented what you do here by making it more UK focused or extracting the EU business and taking it elsewhere. But also growing your presence through a multiplicity of functions.

There's no getting away from the fact that 96 per cent of this population voted to remain in the EU; they were instinctively of the view that continuing EU membership was, in principle, the better option. But it's also true to note that very successful hub centres, such as the Isle of Man or Alderney, have thrived outside of the EU and therefore there were precedents that gave us confidence.

We still have to finalise the terms of our exit: the UK trade deal doesn't apply to Gibraltar. The treaty that hopefully will be concluded will make Gibraltar significantly more attractive. Not just for the gaming industry, but for industry generally. Because the basic strengths of Gibraltar – which have always been the rule of law, competitive tax system, accountability but an approachable regulator, a government that supports industry, an openness towards innovation – all these factors remain in place.

Whether it's Plan A, with the Schengen Treaty, or Plan B, the importance of border fluidity will remain paramount. But it's more than likely that we'll find ourselves in six months' time in a post-Brexit scenario for Gibraltar that even Remainers will have to applaud as probably being a better space than we would have been in had we remained.

We have the real prospect of a unique relationship with the UK, a Schengen-type access to continental Europe, which will make Gibraltar extremely attractive. Plus, what we have

"A lot has changed for the industry in terms of technology, the move towards exporting of functions, and co-locating and relocating functions."

always had, a government and regulatory infrastructure supportive of drawing the balance between innovation and competitiveness, but also responsibility and prudence.

We are only a whisper away from that sweet spot and, hopefully, we'll be there in a few months' time.

David Black: Danny, what are the other most significant events or developments that have occurred for gaming in Gibraltar over the decade and what impact have they made?

Danny Hook: Unsurprisingly, given my background, I am going to say technology. When the industry arrived in Gibraltar over a decade ago, Gibraltar was not prepared technology-wise to sustain it. It was based more on a residential-type technology platform.

But, over the years, thanks to the gaming industry as a whole, we've invested and we've moved those technology platforms from what used to be a single 45 Mbps connection up to Madrid to what it is today. The evolution has been quite significant.

Back at the beginning of the decade, there were no data centres in Gibraltar. We now have three data centre providers here. There was a single telco infrastructure provider; now we have four serving the industry in Gibraltar.

We will continue to facilitate the technology platforms to enable the modernisation of regulation and to help the regulators achieve what they require in terms of being able to access that data whilst, at the same time, allowing companies to have their infrastructure wherever they need it.

The advent of the cloud has made a very big difference to the gaming industry. Now it takes weeks, rather than months as it did a decade ago, to deploy in any jurisdiction. Gibraltar is cloud-ready. We will be able to connect Gibraltar-based clouds with the hyperscale cloud which so many systems work with.

David Black: Peter Isola, returning for a moment to the frontier that is so important to Gibraltar. How much relevance will Schengen have for economic development generally and gambling expansion specifically in Gibraltar?

Peter Isola: Huge – especially when you look back to where we were on 23rd of June 2016 and how concerned we were about things and how they were going to develop. This government has worked extremely well, both with Spain and the UK, to develop tremendous relationships.

We've had the Spanish tax treaty, for example, which has cleared the way during this difficult time for free flow at the frontier. We know that free flow at the frontier is the most important factor for the gaming industry, for the whole economy of Gibraltar. So if Schengen arrives, that will be fantastic: within Schengen, the economic prosperity and the stress very much on shared prosperity on both sides of the frontier is enormous. We've already just seen the announcement of the Nasdaq WISeKey's building, a technology cyber security centre development in La Linea in Spain.

"We've got to see how we can develop our prosperity. The Fintech sector in Gibraltar is well developed. We've had the legislation in place for some years while other jurisdictions are still trying to work out what to do in this space. So if you've got the possibility of Fintech and of gaming developing together, the opportunities are enormous."

And, despite all the difficulties we've had, the number of people in employment has remained strong. The staggering situation we're in now is that, politically, we always had problems with Spain but now we're getting on with them better than ever. Even if we don't get a Schengen agreement with the EU, we will have an agreement between Spain, Britain and Gibraltar to ensure that the frontier flows, that fluidity remains.

In previous conferences, I've always said I'm not that worried about a hard border because we are already outside Schengen and there are laws within the EU that allow for a free flowing frontier. That's going to enable us to work with Spain to ensure that the frontier flows - and if we have a free-flowing frontier, we have tremendous opportunity of economic growth. So whether it's the Schengen agreement or a hybrid agreement, I think the future is very bright.

David Black: I think we'd all agree that's very encouraging. Looking ahead to the vision for Gibraltar over the next 10 years, what opportunities and threats are likely to be in the Gambling Act? Sir Peter, what are your reflections on that?

Sir Peter Caruana QC: The most important reflection is that the vision does not change; I don't think the Minister has any intention of changing the vision that has led Gibraltar to where it is today. It's more about making sure that the vision remains safely viable.

By that, I don't mean safely just for the jurisdiction. The partnership that we've enjoyed over the last 15 or 20 years, industry and jurisdiction, has been because we've had a common set of interests. What's reflects badly on the jurisdiction reflects badly on the leading players in it, who value their reputations as much as we value ours. That's been the basis of the partnership – how Gibraltar can host the commercial needs of the industry in an environment that itself attracts success because the rest of the world can view it with confidence. That remains the objective.

I don't think anybody in this room will feel at all threatened or challenged by the Act. What the Act seeks to achieve is to ensure that it stays that way. In other words to ensure that all this changing technology, the jurisdictional co-location and multiple jurisdiction location of functions and technology, does not result in Gibraltar being tainted by association through an activity that is spread about in that way. That's as much for the gaming operators as it is for the jurisdiction as a whole.

Gibraltar wants to remain a jurisdiction in which anybody who wants to sail closest to the wind would best avoid. That has been our success in the past. All the Act seeks to do is empower the licensing authority and the regulator with the usable non-nuclear option tools (therefore usable in practice) to protect Gibraltar and its economic constituents.

David Black: Peter Montegriffo, your thoughts on that?

Peter Montegriffo QC: I agree with that entirely. We should also remind ourselves how important the gaming industry has been in spawning industries that build on similar skill sets. We've seen that happen quite significantly since 2011, whether it's Fintech, crypto or e-sports.

Part of the evolving vision, more broadly beyond gambling, is to make Gibraltar a centre where these skills are valued and they are advanced through the digital academies being set up. We're very keen to use the skills that this industry brought to the Rock to grow a broader proposition.

The Act is an important element: Andrew talked about how we are providing synergies and some commonality of approach and regulation. These other sectors will benefit from that approach and they set the benchmark of what Gibraltar does in balancing an openness to innovation and openness to new industries within a regulatory framework that is clear and consistent and where the approach and the outcomes are clearly identified.

Picking up the point about shared prosperity, it's true to say that one of the ironies of Brexit is that it is bringing us closer to the UK and to the hinterland. We're seeing it in sharper focus that our prosperity has to be shared. It has to be shared in a way that makes our neighbours, our immediate neighbours, participants and stakeholders in our success. Historically, this happened incidentally and not to an insignificant extent. But it needs to happen in a structured way, in a way that really does give them a real stake in how well we do.

That's why you're seeing the recent developments with La Linea and with the Campo area more generally. The political winds from London, Madrid and Gibraltar are behind making that happen. It's an ambition we have long sought to develop, but which is now actually taking place. That's really important because it will be with that degree of engagement that they will see the value of the progress that technology and interests of this type means to their own prosperity.

Peter Isola: Gibraltar has always evolved with the industry – and this legislation should be a continuing evolution of that relationship. We do want businesses in Gibraltar with substance: that's a very important factor as much to protect the existing industry as the growing industry. The legislation is designed to give more flexibility on technology, based on that balancing act of having more substance here. That will protect the existing industry.

I do think there will be a lot of opportunity out of the legislation for companies to grow. And the opportunities resulting from an agreement with Spain are also going to help the industry enormously. So when we look at the legislation and we consult, it is very important we look at certain aspects but the keynote has to be maintaining substance, maintaining economic activity in Gibraltar. That home and the ability to evolve and grow.

> "Gibraltar has always evolved with the industry – and this legislation should be a continuing evolution of that relationship."

David Black: Thanks Peter. Daniel – thoughts?

Danny Hook: I see the gambling industry continue to thrive in Gibraltar. And Gibraltar continuing to thrive on the back of the gambling industry as well.

It will take more effort that it's taken in the past 10 years because there are other jurisdictions trying to mimic what we've done here. But with all the stakeholders coming together – whether it be regulatory, legal, financial, technology, lifestyle – we have a perfect scenario to make this industry thrive going forward.

With the opening up of the world and other jurisdictions such as LatAm and North America – Africa is also on the agenda for many – the Gibraltar licence will be extremely respected throughout all these jurisdictions.

Sir Peter Caruana QC: That's a very important point which has underpinned much of the thinking that's gone into the Act. As the industry seeks to be multi-jurisdictional – not just in its marketing, not just in reaching clients but in its structuring in the location of its activities – it becomes increasingly important for regulators and policymakers in other countries to have confidence in the other jurisdictions in which you have activities based.

This is not about badges of honour. This is going to be justified confidence, not on the basis of what the legislation says, but on the way the legislation is applied.

I also want to say that you will find the Act is written in very easy English, not legalese, despite the fact that lawyers have had a hand in it. It's very readable. It's chatty almost in parts! It borrows quite heavily from the Financial Services Act and the reason for that is that people operating in regulated spaces in Gibraltar, and regulatory lawyers and compliance people, should become familiar with a certain regulatory philosophy, a certain regulatory architecture and landscape, along with the legal principles that underpin them, and the legal rights of the regulated community instilled in them. So there is Gibraltar regulatory spiel emerging through the legislation.

As you have already heard, part of what Gibraltar rejected many years ago was the concept of anything that looks like brass plate operators. We had to have significant presence: you had to be bricks and mortar here, so to speak, real members of our economic constituency. That was much easier 20 years ago because the industry was much more centralised, more things used to happen in one place.

Now, with all this diffuseness of functions across multiple jurisdictions, it's become much harder to flesh out the concept of real presence with accommodating the industry's needs to want to do different things and have different functions in different places. That is addressed in this legislation by the concept of substantial presence. Whether, in the round, all the things that you do in and contribute to Gibraltar are sufficient to pass the substantive presence test.

Another very important test is that whatever you don't do in Gibraltar is nevertheless accessible to our regulator to supervise so that Gibraltar and it's co-constituents can be comfortable that things taking place outside of Gibraltar by Gibraltar licensees do not come back to haunt us. In a nutshell, that is what the Act seeks to achieve.

Peter Isola: On the regulatory side, up until now the regulator has had very little power. He can use the nuclear button by withdrawing a licence but he has limited power in asking for information and properly regulating in certain areas. So what the Act tries to achieve is to give him more steps, to gather more information and to put in a skilled person to understand what's happening and what needs to be corrected. That's something very much in the interests of the industry as a whole.

Peter Montegriffo QC: An extra point, which is very evident to those of you that are based here, is that it's remarkable the way that the "spin" in terms of the future is so underpinned by market forces and market reaction. I don't just mean the property market, I mean in the labour market generally. I find it quite extraordinary to witness the attraction that Gibraltar represents to investors and new entrants, who are clearly factoring in what is going to be the likely outcome.

It's an exciting time, which means that we've got to proceed with this balance of caution but also commitment to the future. If COVID-19 hadn't been something which intervened between Brexit and now, the effects of this might have been much more obvious. But not withstanding COVID-19, the degree of interest in Gibraltar remains quite extraordinary and that's telling us something about the confidence people feel in how matters are going to pan out.

Peter Isola: One very important factor in terms of a free flowing frontier is housing. Despite what seems unending construction, we've seen the costs in Gibraltar rise quite highly.

It's true to say that Gibraltar has become very attractive for people from other sectors to come and live with its high net worth individuals. This goes back to the Income Tax Act 2010 when we got rid of the tax-exempt company, which was a huge move for us. But that underpinned having no tax on investment income, it underpinned even the Fintech industry. Plus there's capital gains in the UK and there isn't in Gibraltar, so that's to the benefit to industry and a lot of people are coming in.

So it's very important that we do have that free-flowing frontier. We've now got the Spanish/UK tax treaty over Gibraltar which again should help with that. The irony is – and I go back to 24th June 2016, when we were all, relatively speaking, depressed – how that galvanised Gibraltar. We are pretty entrepreneurial people, with the government finding solutions to the problems we had. We really feel that in the end we're going to be in a much better place than we were in 2016 and that obviously helps the industry as a whole.

"With the opening up of the world and other jurisdictions such as LatAm and North America – Africa is also on the agenda for many – the Gibraltar licence will be extremely respected throughout all these jurisdictions."

The UK Market & forthcoming Gambling Act Review

Presentation by Brigid Simmonds OBE

Betting & Gaming Council

The Betting & Gaming Council was established in 2019 to champion the betting and gaming industry and to set world class standards to ensure an enjoyable, fair and safe betting and gaming experience for players. Providing a forum to facilitate collaboration and share best practice, the BGC also seeks to ensure future changes to the UK's regulatory regime are considered, proportionate and balanced. Acknowledging both the importance of Gibraltar to the UK economy, and the importance of gambling to the Gibraltar economy, BGC Chair Brigid Simmonds gave delegates the latest insights into the work of the organisation and particularly in regards to its position on the UK Gambling Act Review.

"The Betting and Gaming Council represents over 90 per cent of the regulated industry in the UK. We combine three trade associations: the betting shops, the remote online gambling, and the casino trade associations have all come together. It's really important that the industry speaks with one voice and that's very much what we try to do. So we represent betting shops, casinos, obviously online operators, and most definitely games suppliers as well, and a lot of B2B businesses within that. Many of them have operations here in Gibraltar too.

The BGC's objectives are to collaborate with Government, the Gambling Commission, charities, stakeholders, and, of course, our customers. To enforce appropriate use of advertising in our industry. To champion the protection and education of young people in betting and gaming, and the vulnerable. To maintain the highest staff and training standards across our industry, and to champion the leisure and community value of betting and gaming in the UK.

To me, gambling is very much part of leisure activities. I'm somebody who believes that people have the right to choose how they spend their leisure time. As an industry, we must make sure that they're safe and that we protect the vulnerable in every way that we can. But if that's how you want to spend your time, there is absolutely nothing wrong with that.

I get worried sometimes that the industry is demonised in what we're trying to do. But to me, going to a betting shop, a casino, or betting online is akin to going to the pub or any other activity, like ten-pin bowling, you might want to take part in.

If we look at the economic contribution of the industry, EY conducted a study for us in 2020 which showed that 40 per cent of British adults gamble and the majority do so responsibly. We contribute £7.7 billion in Gross Value Added to the UK economy. We employ 119,000 people in betting shops, casinos and in remote gambling.

Interestingly, statistics show that of our employees, 19 per cent are under the age of 25, with 51 per cent under the age of 35. We therefore have a responsibility as an industry. A lot of our jobs are high-tech and exciting, particularly for young people, but we also need to make sure that we look after them. I've recently chaired an HR group for our member companies looking at opportunities. BGC has launched a plan for jobs and we're promising 5,000 new apprenticeships over the next few years. We very much want to be seen as doing things which are right. It's a particular issue in the UK where jobs are aplenty and it's very difficult to retain and take people on.

We're about 50:50 in terms of men and women within our organisations. But we need to do more, particularly around diversity and make sure that moves to the top of the tree as well.

In terms of tax, we pay £3.2 billion to the exchequer. We support about £14.5 billion in Gross Gambling Yield (GGY). And we do an awful lot to support research, education, and treatment. So our members give £10 million in industry support for Gamble Aware each year, and £10 million to a range of other charities. Our largest members have actually decided that they will give over £100 million funding to research, education, and treatment over the next three years, and they have moved to be 1% of GGY from 2023.

That is significant. I come from working in the alcohol industry. I think they give about £5 million to Drink Aware each year. If you have an alcohol problem, you are looked after by the NHS. We are struggling to get recognition from the wider government that they need to be looking at our industry too. We have people who clearly have comorbidity problems and have mental health issues and people who have real trouble with gambling and need NHS help. But we also have people who will get help from the charities that we support and have financial issues, which is not an NHS issue and are much better helped through the third sector partners such as GamCare. We do need to make sure that we're protecting them. But also that we celebrate the vast majority of our customers who gamble completely responsibly and do so as part of that enjoyment.

Safer gambling is at the heart of all we do. When we launched the BGC, we inherited about 20 commitments that were made by the Senet Group. We have made a lot of progress since. There is much more that we need to do, but I want to talk a little bit about some of that work. I'm going to start with data. Andrew Lyman mentioned earlier the data sharing and the work that's being done by the University of Gibraltar, which is enormously important for every jurisdiction. We are looking to do a trial for single customer view, as we call it, which is for at risk customers. We all want to understand how we can legally share information between our member companies. Because if you are going to protect vulnerable customers from gambling, you want to make sure that other companies are going to be doing the same thing. If you've got customers that are at risk, you want to be able to share that information. GDPR and privacy are obviously vitally important. We're talking to the Information Commissioner on whether we can proceed, and I'm hoping that our discussions with the Gambling Commission will allow a trial to go ahead very soon.

Game design, particularly for online slots, is something else that is important. We have had three stages around this. First, we've had a code in place since September 2020. Phase 1 implemented a minimum spin speed of 2.5 seconds, it removed game features which sped up play, like turbo slam stops, and it removed the ability for you to play multiple slots at the same time. The Gambling Commission incorporated this into their licensing requirements for the UK. Early results indicate moderations of marketing harm, particularly for those who were playing over 60 minutes or more.

The further measures in the next stage come into force on 31st October for the whole industry, although many BGC members implemented them last September. These include that wins below stake or wins equal to stake cannot be celebrated. They also provide for greater transparency, for example, on bonus schemes when you're entering or leaving them, and require net position and time play to be displayed.

And then we're working on further protections, such as game labelling, aiming to increase player understanding of slot game characteristics such as vitality, volatility and return to player ratios. This is in order for our customers to make the right choice, and it's very much in response to the work we've done with customers on what they would like to see.

There is zero tolerance for any member of the BGC who wants to open an account under age. In fact, I could say it would be almost impossible to do that. Age verification is very strong and recent mystery shoppers to betting shops in the UK saw the highest possible pass rate at over 90% and that is well ahead of convenience stores, supermarkets or petrol forecourts.

As we all know, customers are very clear and vote with their feet if they are asked to provide too much documentation to prove source of funds. The recent Gambling Commission consultation which looked at people producing bank statements or, dare I say it, tax returns if you were spending £100 has rightly caused outrage among people.

As a member of the House of Lords said, if he went into a garage with £90,000 and said he wanted to buy a Lamborghini, no one would ask him where that money came from. So we need to be really careful that we are not interfering in people's private lives.

We are using, however, publicly available resources and during COVID-19 individual customer interventions from our members increased by over 150 per cent. Again, that is important. We know our customers, particularly online: we can see what they're doing. In physical premises, we talk

OUR OBJECTIVES

1. Collaborate with the Government, Gambling Commission, charities, stakeholders and customers
2. Enforce an appropriate use of advertising in our industry
3. Champion the protection and education of young people in betting and gaming
4. Maintain the highest staff and training standards across the industry
5. Champion the leisure and community value of betting and gaming across the UK

BGC
THE BETTING AND GAMING COUNCIL
CHAMPIONING INDUSTRY STANDARDS

to our customers: we see them coming in for social activity and we can have those discussions. We are one of the most regulated industries in the world.

We've been working with online platforms for a number of years and we've made changes to the Industry Group for Responsible Gambling Code of Conduct, which is a licence condition under the Gambling Commission in the UK. Online platforms now have to prove for us that paid for advertising of gambling does not reach anyone who is under the age of 18. And unless they can prove to the BGC that their age gating is robust, they can only take paid for advertising for those over the age of 25.

Separately, we have launched an ad tech forum. We have all the platforms as part of that – BACTA, the Bingo Association, the Advertising Association – to discuss best practice and to take forward projects collectively, including looking at how we can use first party data to act as a deterrent to vulnerable customers. You should have that ability to say that you don't want to receive advertising, and you should make sure that the advertising received is responsible.

> "BGC members contribute about £350 million to racing in the form of sponsorship, media rights support, for the industry."

GamCare, the charity we work with, published the Code on Display of Safer Gambling Information in March this year. It seeks to ensure consistency of information among our members and it sets guidelines about prominent display. All of our members have been implementing the code by the end of August this year. There is also going to be a safer gambling icon which will be published shortly, and all our members across the BGC will take that up.

BGC has been public, as part of the Gambling Review, that we support an ombudsman. We want to help address consumer redress. There is already an alternative dispute resolution: the Independent Betting Adjudication Service exists now, but we think there should be an extension of that current remit.

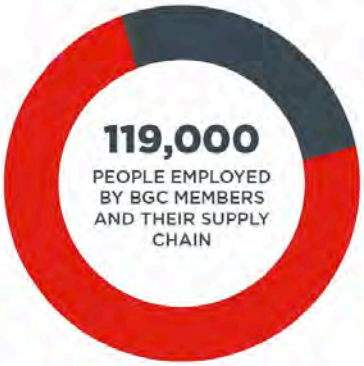
We don't believe that this should be statutory. Having worked in the pub industry, where they introduced a statutory ombudsman to regulate the relationship between pub companies and their tenants, it was inflexible. So we want something that is flexible but it also has to have very clear rules and still have the power of going to the Gambling Commission and the Courts. We need to have a clear and concise remit, and I'm sure those discussions will be ongoing.

Sports sponsorship has been a subject which has had a lot of press in the UK. We've had a big bus campaign, where we've had a number of prominent sports people speaking out about sports sponsorship. And yet the Liverpool University study showed that there is no evidence that gambling sponsorship of football causes problem gambling. In fact, all my experience of the work that we've done, some of it in depth, has showed that people hate advertising. People want to switch it off or fast forward. Advertising, to me, is about brand and I think we need to see it that way. We don't have any evidence and, if we're going to have an evidence-based review, we need to make sure that it is evidence based.

BGC members contribute about £350 million to racing in the form of sponsorship, media rights support, for the industry. To be honest, without our industry, racing would not exist in the UK and it's such important rural sport. It's part of the fabric of our community. In football, BGC members contribute

Economic Contribution of Betting & Gaming

40% of British adults gamble and the majority do so responsibly (Source: GC Gambling Behaviour Survey 2021)
£7.7bn in Gross Valued Added to the UK economy (BGC members)



Jobs (direct employment)

36,300 in betting shops
13,600 in casinos
11,100 in remote gambling

19% under age of 25 (11% national average)
51% under 35 (35% national average)
50% men / 50% women

Support for horseracing

£350 million through levy, media rights and sponsorship Supporting 85,000 direct and indirect jobs in Horse and Greyhound Racing

BGC Betting & Gaming Council | CHAMPIONING INDUSTRY STANDARDS

about £40 million to the English football league. Obviously BET365 owns Stoke City Football Club. They are an important local employer. We also provide support for darts and snooker of over £10 million. For rugby league, it's about £2.5 million annually. It is important to us and to the sports our member's sponsor.

My background is very much in sport. I was on the Board of Sport England. I was lucky to be a director of Leicester City Football club, which is my hometown and my home team. I've chaired some work which the BGC has done on a potential sponsorship code. It's very much part of our discussions with Government. Again, I believe it should be evidence led, and we will continue those discussions going forward.

And then, finally, on raising standards, I took five chief executives to sit in front of the House of Lords Committee and we talked about "When the fun stops, stop", which for some reason a number of people didn't like. I said yes, we are going to get rid of it, without really thinking quite how difficult it is to do such things. But very shortly, we will be launching a replacement and it will be something which is about nudging all customers. We want something where everyone has an understanding that they need to be careful what they're doing, that they need to use the safer gambling tools that we've got like setting deposit limits, or looking at the amount of time that they are spending gambling.

This is not about people who are already at risk and there are a range of other tools such as, the "Bet Regret" and "Don't bet your life on it" campaign for people who have already show markers of harm.

I wanted to touch on the black market. We commissioned PWC to do a second report and it highlighted to me some worrying trends. There had been a near doubling of money staked with unlicensed operators from £1.4 billion in 2018 to £2.8 billion in 2020, that's 1.2% to 2.3% of all money staked in the UK. The number of customers on unlicensed websites has grown from 210,000 to 460,000. That is a worrying global trend.

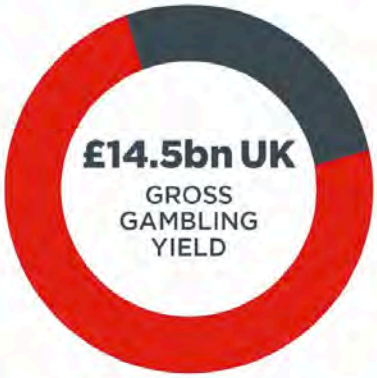
If you over-regulate, all you will do is encourage people to go and bet on a black market, which gives no money to your economy, which has none of the safeguards that all our members have to abide by. Look at what's happened in Norway where there is a state monopoly, the black market is 66%. France where online gaming is illegal is 57%, Bulgaria with its high tax rate is 47%, and Italy where advertising is banned is 23%.

As we go through this Gambling Review, we need to get it right. We need to make sure that we come out with a well-regulated industry that is recognised not only for its economic contribution but the safeguards that it is putting in place. We also need to recognise that if we get it wrong, we will be encouraging people to go off to that black market. I don't think that's what we want to do.

I'd like to end by mentioning the positive changes that we have made already. We introduced a whistle to whistle ban in response to concerns about the number of advertisements around sport. In the UK, you can't advertise until after 9pm unless you are bingo, the National Lottery or advertising to support live sport. So the 'whistle to whistle' ban meant that you couldn't advertise for five minutes before until five minutes after a game had finished. That has seen a 97% reduction in gambling ads seen by children, and according to new data, there were 47% fewer betting adverts seen during the Euros 2020 than shown on the same channels during the World Cup.

During lockdown, for the first six months we didn't advertise at all. We had a 10-point plan which drove a 31% increase

Economic Contribution of Betting & Gaming



BGC members account for 68% of Gross Gambling Yield

Near doubling of money staked on illegal black-market with unlicensed operators – from £1.4bn in 2018 to £2.8bn in 2020 (1.2% to 2.3% of all money staked in UK).

Taxes

£3.2 billion to the Exchequer

£7.7 billion Gross Value Added to UK economy

(Source: BGC members)

Support for RET

£10 million industry support for GambleAware

£10 million additional BGC member support for other charities

£100 million additional funding to research education and treatment (RET) over the next 3 years and **1% of GGY to RET from 2023** largest members

in safer gambling interactions during that time, and a 100% increase in the number of safer gambling messages being displayed on our member websites.

All our members have agreed that 20% of all advertising on TV and radio will be attributed to safer gambling messages and that has led to a 14% increase in the number of players using deposit limits.

We had this four-year pledge by our largest members to increase funding of up to £100 million to Gamble Aware, and a commitment to increase funding to 1% of GGY by 2023.

We react to issues when they arise. So there is a new Code of Conduct for partnered posts on football clubs' social media accounts which bans any display of direct bonuses or odds on organic tweets which cannot be solely targeted at over-18s, plus sponsored or paid for social media adverts can only be targeted at those aged 25 and over unless the website can prove the individual is over-18. The results show 96% fewer views of social media advertisements by those aged 18-24 year-on-year.

BGC won a stand out charitable effort of the year last year: we raised £2.9 million for NHS charities at last year's virtual Grand National, and a further £250,000 was raised by our members' Britannia Stakes at Royal Ascot this year for a number of charities which are important to us.

We are playing our part as I believe we should, as an important part of the UK economy, but an important part of safer gambling as well. We are very keen to work with you all here in Gibraltar, not only with our members, but with the regulators and with the Government. I hope that there is much more that we can do. I'm sure there are also things that you can do to help us to make sure that we come out of this with the right regulation from the Gambling Act review going forward. Thank you very much."

"As we go through this Gambling Review, we need to get it right. We need to make sure that we come out with a well-regulated industry that is recognised not only for its economic contribution but the safeguards that it is putting in place. We also need to recognise that if we get it wrong, we will be encouraging people to go off to that black market. I don't think that's what we want to do."

Capital Markets Update

Presentation by Simon French

Panmure Gordon

Reviewing the internet gambling industry from a capital markets perspective, Simon French, Managing Director of Private Capital Solutions at Panmure Gordon, began his session by remarking that, for the third consecutive summit, a major new deal – in this case DraftKings £16.5bn approach for Entain – had been announced just two days before. It was a reflection, he said, of the rate of M&A developments and underlined that the industry has changed beyond all recognition in the 26 years or so over which it has evolved.

"None of the current big four – Flutter Entertainment, Evolution Group, DraftKings and Entain – which looks increasingly likely to become the big three, existed in their current form even four years ago. They now have a market capitalisation in excess of $120bn, with the total sector market capitalisation around $160bn.

If you were to attribute fair value to MGM's share of BetMGM, Penn's share of BarStool Sports and Caesar's online operations et cetera then you start to get closer to $180bn of equity value. Add in net debt and you're not far off a $200bn quoted sector.

Of course, there is also significant private company ownership, bet365 being the most obvious example. I'm sure the Coates family are very keen to apply the EBITDA multiple from the Entain bid to their own earnings and might be able to buy more than Stoke next time.

CVC is probably regarded as the most successful private equity investor in the sector through its Sky Betting & Gaming investment and, of course, retains a residual holding in Flutter Entertainment as part of its merger with The Stars Group which had previously bought Sky Betting & Gaming.

CVC has a significant interest in Germany through its ownership of Tipico, who it transpires was an underbidder for William Hill International.

There are some private equity houses for whom the gambling sector is still a no-go area with specific clauses in their articles preventing investment in the sector. I'm not sure that will change despite the apparent riches they are missing out on. But it does mean the likes of Apollo, Bridgepoint, Blackstone et cetera, have a real opportunity to create long-term shareholder value.

Three years ago I highlighted that there were three financial centres of excellence for internet gambling. London and Stockholm remain two of those but there has been a very definite shift in North America, driven by the repeal of PASPA, which has seen Toronto relegated beneath New York.

Indeed it's interesting to see companies such as Bragg, a relatively small business, dual listing in New York and other companies who may previously have been considered too small to float in New York such as the super affiliate Gambling.com list and GAN also achieving a listing.

Obviously, it was a PASPA-inspired move for New York to become a new financial hub for internet gambling and it's worth reflecting that when The Stars Group had a dual listing in New York, there wasn't a significant amount of interest in the stock.

The other dynamic in the US market is the much more significant retail investor base, with up to a third of volumes coming from retail investors, many of whom seek to invest (or perhaps speculate is a better word) via options. The success of the retail trading app Robinhood is testament to that.

Returning to the UK, the consolidation that has occurred in the market is highlighted by the fact that, in 2016, there were 14 London-listed gambling companies with a combined market capitalisation of just under £20bn.

"There are some private equity houses for whom the gambling sector is still a no-go area with specific clauses in their articles preventing investment in the sector."

Today there are 10 – perhaps nine in the not too distant future – with the market capitalisation of those combined entities probably now closer to £50 billion or over £50 billion. Flutter's market capitalisation itself has gone on to reach almost £28 billion this morning.

My own personal observations on that Entain/DraftKings combination, assuming it is accepted, approved and completed, is that it will fundamentally alter the shape of the DraftKings P&L, immediately becoming profitable – likely even down to the net income level – but with significantly slower top-line growth.

DraftKings will acquire operating free cash flow – something it doesn't currently have – which again changes the nature of the business and investment case. Ditto owning 3,000 betting shops in the UK and Europe.

Then there's the question around what happens to the BetMGM joint venture. But if you assume that MGM is able to take full control of that joint venture, then Entain shareholders are effectively swapping out their shareholding in BetMGM for a shareholding in DraftKings and exposure to the United States and that may not appeal to all of them. I think it's fair to say that BetMGM, after a shaky start, has seen phenomenal growth and is demonstrating market leadership in the igaming space of the market, if not in online sports betting.

Overview

- Industry has changed beyond all recognition
  - Driven by M&A
    - None of the quoted 'big four' existed in current form four years ago
- Market capitalisation of the four largest listed companies in excess of US$110bn
  - Flutter Entertainment, Evolution Group, DraftKings, Entain
    - Total quoted sector value ~US$150bn excluding land-based
- Significant private equity ownership in the sector
  - CVC, Apollo, Blackstone, Bridgepoint

Overview

- Three financial centres of excellence for Internet Gambling
  - London, Stockholm and New York
    - Toronto has been replaced as North American gateway
- Five years ago London had 14 gambling companies listed
  - Combined market capitalisation of ~£19bn
- Today only 10 gambling companies
  - Combined market capitalisation of ~£45bn
    - Flutter Entertainment >£24bn

And there's also a question of the tech: DraftKings operates off SBTech whilst Entain uses predominantly the old bwin platform that it acquired in 2016 but also in the US it has some legacy Stadium Technologies components which it acquired as part of Ladbrokes Coral deal. If MGM does acquire the other 50% in BetMGM, it is going to need some tech. So there's a huge number of moving parts and it'll be very interesting to see how it pans out.

So let's look back briefly to establish context. The first online casino appeared around 1995, and 888's casino-on-net in 1997. It was a licence – not that you needed one – to print money with EBITDA margins of over 60%, almost treble what they are now.

Everything was going great until the interventions of Senators Kyl and Reid back in 2006 who tacked the Unlawful Internet Gambling Enforcement Act onto the Safe Port Act one Friday night and pretty much killed an industry over the weekend. When the London Stock Exchange opened on the following Monday morning, share prices of all the listed companies fell by roughly two-thirds.

This led to a more restrained period of growth and injected significant caution into the mindset of investors who were increasingly wary of exposure to unregulated markets. This thus acted as a restraint to a certain extent on growth and led to an initial wave of M&A in the sector.

However, the online gambling axis shifted again in May 2018 when the US Supreme Court repealed PASPA and led first to the opening of the Delaware and New Jersey markets and subsequently another dozen or so, including Pennsylvania and Michigan. What is undoubtedly clear, though, is that over the 26 years in which the industry has evolved, it's changed beyond all recognition and this has been as a result of M&A, the form of which few could have predicted.

So what are the other current talking points for investors and advisors? There's probably many more than the eight I've listed there, but let's try and stick to those for now:

Regulation

Regulation is a topic that's already come up many times today. All I would add is that when I'm chatting to investors, they just want an appropriate regulatory framework, one that should enable them to have certainty around cash flows in the businesses that they're investing in.

What we've seen from some operators, who are seeking to get ahead of the regulator and introducing arbitrary deposit limits, is that this makes gambling stand out as a leisure activity that should be treated differently to ten-pin bowling, drinking, smoking or however you wish to spend your leisure time and pound.

For investors, that can make it hard to justify to their credit committees that it's an investment that they should be deploying capital into. Most reasonable people would agree that regulation should be proportionate to risks. But regulators should not be using, and operators should not be fearful of them using, the most at-risk as a start and endpoint for regulation.

M&A

We've covered this a little but I think the biggest concern for investors is how mid-tier operators survive in an industry where there are a couple of Goliaths and a large number of small agile operators who can take market share in specific jurisdictions or in specific products.

The US

The US remains a very interesting market to be exposed to. We're just starting to see signs that there may be a change in investor sentiment towards the US with a few now beginning to question just how – and indeed how long until – operators will generate profits in this market. The developments in recent days do nothing to change this debate. Some data this week from Vixio Gambling Compliance highlighted that New Jersey, Pennsylvania and Michigan are three of the largest top 10 regulated markets in the world. Yet all are loss-making. The other seven entries in that list are all highly profitable markets for the incumbents. So how do you take a US state market to profitability is becoming an increasing concern.

"So what about the next 10 years? It's hard to visualise given the seemingly difficulty in predicting what's going to happen in the next 10 minutes but some of the clues were in the Entain investor day last month."

Omni-channel
Omni-channel appears to be back in vogue. It's about the only commonality between the major London listed gambling companies of Entain, Flutter, Playtech and Rank. 888, post completing the William Hill International acquisition, will have around 1400 retail shops. In an era of potential advertising restrictions or indeed bans, there is value in bricks and mortar sites as marketing assets and as a sign of reassurance and trust to consumers.

Leverage
Leverage, in terms of how much debt can be loaded onto companies, also appears to be back in vogue. We all know money is cheap: interest rates have never been lower and money has never been more freely printed. Combine this with more regulation and lenders have got a greater degree of confidence in lending to the market.

But it was still surprising to see 888 initially fund the William Hill International deal through debt and set out a leverage target of reducing to just 3x EBITDA. This is a business that's historically run on cash and its peers have been targeting a range of 1x or 2x.

SPACs
A term a few people had heard of two years ago, Special Purpose Acquisition Companies, to give them their full name, are a form of cash shell which allows for a variation on an initial public offering or IPO. They have existed for many years in the US but it was the successful Diamond Eagle Acquisition Corp SPAC combining with DraftKings and SBTech which turbo-charged it and we are due to see SuperGroup, the holding company for Betway, go public via this route very shortly.

Macau/China
Such is the pace of news flow that China's crackdown on Macau barely registered much interest last week but it was keenly felt by the shareholders in the stocks with that Macau exposure which all fell by around 30%.

The crackdown on consumer activity – they've also recently imposed a limit on the number of hours you can play video games a week – is likely to drive more volume to China-facing online gaming sites, which themselves are the subject of perennial crackdowns by government agencies. There is a school of thought that ultimately this will lead to a regulated online gaming market in China, perhaps run through those very Macau land-based entities themselves.

Valuation multiples
Ten years ago, the online gaming sector traded on an average of 7.5 x EBITDA. In 2021 that had risen to 13 x and, today the average is closer to 16 x. As a rule of thumb, EBITDA multiples have expanded in line with the size of the companies and the anticipated long-term market shares and margins it's anticipated they can achieve

So what about the next 10 years? It's hard to visualise given the seemingly difficulty in predicting what's going to happen in the next 10 minutes but some of the clues were in the Entain investor day last month.

It's impossible to predict when it's going to happen but there's been a shift approximately every 10 years in this industry – so it may be another six or seven years before it comes to fruition – and, of course, this is highly speculative but I do believe we are entering an entertainment-based phase of growth for the industry.

What do I mean by that? Primarily it fits into three or four buckets of opportunity:

1) **Esports.** Everybody has talked about the opportunity. Nobody has made money out of it but to be fair to Entain the acquisition of the Unirkn platform does now give it a seat at the table and supports my long held view that the only way to profitably participate in the sector is through betting.

2) **Social games.** It's very much back to the future with this one. I'm sure we all remember the social casino acquisitions that were made 10 or 12 years ago by the likes of Bwin and 888, but there are increasingly successful companies in this space. There is a crossover between social casino and real money play. A good example of this is Acies Acquisition Corp, a SPAC which merged with Playstudios and listed on Nasdaq in June.

3) **Video games.** Casual players of video games, as opposed to the more professional esports players, are 4.3x more likely to bet than non-players. They also have a greater usage and demand for audio, data and other content.

4) Pulling that together with live streaming of sporting events is perhaps where the industry goes next. The so-called pioneer in this space is DAZN which has acquired a number of live sporting rights for viewers across the globe and is reportedly leading the race to acquire the UK's BT sports and which lured Shay Segev away from Entain to be co-CEO. The vision of being able to watch any sport, anywhere and have a seamless betting experience enhanced by access to relevant data is hugely appealing, albeit potentially a long way off. The other company trying to achieve something similar is LiveScore which has acquired streaming rights to a number of European football leagues last season and is in the early stages of developing the LiveScoreBet product. Given the majority shareholder in Livescore is Noel Hayden, founder of what is now Gamesys, and his successful track record in the sector, few would bet against him making a success of it.

So that's a very brief assessment of the industry from a capital markets perspective. In summary, it's a market that is increasingly attractive to institutional investors across both private and public markets, but still not for everyone.

We are in the third stage of the evolution of the Internet Gambling market, which started post the repeal of PASPA and has seen company valuation multiples reach dizzying heights.

The sector – as so neatly illustrated this week – never stands still. Today's winners can become tomorrow's also rans and yesterday's nobodies can be the juggernauts of the future.

It seems to me that, with the ongoing consolidation and tightening regulation, we are reaching another inflection point. When it comes, it's going to be entertainment-led."

"Regulation is a topic that's already come up many times today. All I would add is that when I'm chatting to investors, they just want an appropriate regulatory framework, one that should enable them to have certainty around cash flows in the businesses that they're investing in."

Summary

- Large market attractive to both public and private equity investors
- Three distinct phases of market evolution
- Status quo never stays the same for long
- Industry seems to be approaching another inflection point
- Entertainment based growth phase

M&A Activity in the Gambling and Betting Sector

Moderator: Simon French

Panmure Gordon

Panellists:

Susan Breen

Mishcon de Reya

Steven Caetano

ISOLAS

Adam Rivers

KPMG

Adam Craig

Gamesys

While the COVID-19 pandemic saw other sectors grind almost to a halt during 2020 and early 2021, the online gaming industry continued to see lots of merger and acquisition activity as well as enjoying resilient revenues on the back of readily adaptive business models. With a highly knowledgeable panel consisting of two top-ranking betting and gaming lawyers, Susan Breen and Steve Caetano, online gaming economist Adam Rivers and highly experienced director of taxation, Adam Craig, moderator Simon French explored some of the movements that had taken place over the previous 18-24 months and how future activity might shape up.

Simon began by asking the panel whether they had been surprised by the amount of deal activity that happened during the COVID-19 pandemic.

Susan Breen: No, disruptive factors play a big part in any industry movement and you couldn't get more disruptive than COVID-19. But it became a side issue, so to speak, despite its global impact on all of us.

Initially however, the industry paused and we were all trying to take stock of the impact of COVID-19. We'd just seen Penn announce the Barstool deal in January 2020 kicking off the new year with an interesting gambling and digital sports partnership. It could have been a barren year given the complete shutdown of sports. However, as you will see from the 10 to 15 quite large deals that happened through 2020 into 2021, the business of growing and consolidating, continued with the same pace, the same fervour.

So there was a slight stalling of the engine but we have now come out supercharged in the last 12 months.

Steven Caetano: Online gaming is probably one of the only things that actually worked and operated during the lockdown. So it's no surprise to me that growth took place during that time and, whilst it was unprecedented in every single way, it seemed that the industry adapted. Consumers also did and they very quickly switched to the products that were available during that three or four month period when there was little to no betting activity in a live context. So other products gained a lot of popularity and it clearly shows that some of these companies are very well run – they have proven to the market that they can operate effectively when the whole world stops. The service continued almost uninterrupted.

Adam Rivers: If I was to set this in an equation, some of the parameters that can really influence deal activity are things like the need for scale and investor sentiment. During COVID-19, the need for scale has never been clearer given things like regulatory crackdowns. So am I surprised? Definitely not.

Simon French: Adam, you're part of a deal in that period, which you obviously can't comment on because it's due to complete next week, but a number of your peers were doing deals at the same time. Did that all come as a shock or, in an industry where everyone talks to everybody else, was it just a natural part of the climate?

Adam Craig: Consolidation has always been a strong theme in this sector. But during the last 18 months you had two particular factors or catalysts, one of which is liquidity coming from strong business performance and cheap debt, and the other is the crystallisation of the US opportunity.

Simon French: 888's proposed acquisition of William Hill will see two of the largest sector employers here in Gibraltar join forces. I think 888 have got around 200 people in Gibraltar and William Hill about 350. What are the implications from a people perspective and also from a strategic perspective here in Gibraltar and indeed further afield?

Steve Caetaneo: I can provide the local perspective. Like with many of these deals, we've got to quite a unique situation where you've got two large employers, based here in Gibraltar. So you would think there is inevitable consolidation in terms of assets here in the jurisdiction but it very much depends on the deal structure. I'm not personally involved in the deal so I have no idea what the deal structure is like, but presumably there are multiple licences, multiple departments and assets in the jurisdiction. So I suppose there'll be an element of consolidation and restructuring. In my experience, working with the regulator closely and making sure that the post-closing outcome is acceptable to the regulator, the licensing bodies and various other stakeholders is fundamental. I'm sure the advisors involved are factoring that in.

Susan Breen: I'm coming to this from an under bidder perspective so it's very interesting to see the announcements about the deal. I think it looks quite creative and very sensible. The fact that there's a play around merger rather than acquisition and the play around the retail shops. There are any number of ways you could have cut that one: keep them all, sell them all, do a bit of a mix and match.

Bringing together great strengths from two wonderful companies and operators with huge legacy and experience, it will be key to see how that philosophy and ambition plays out in practice. It's a really complicated regulatory environment that they (and other operators) have to grapple with. That's a lot of work to do – I reckon it will take one to two years to really understand how the combination will come together.

While there might be some rationalisation, there's also a bigger ambition in terms of what the combined companies are setting out to do. And there are some defensive moves there in terms of the changes with the Gambling Act Review in the UK, what will that do to business generally? What will it do to online? Is retail more secure? Therefore, will it be seen to be a good tactic to keep retail and have that as an outlet for customer acquisition?

It's very interesting and has hallmarks of being successful but execution will be key to that. It's looking like all the mood music and the sounds from the top are positive.

At this point the audience was polled about which of four deals they thought would turn out to be the most successful in terms of increasing shareholder value for the acquirer. The four options were Evolution Gaming's acquisition of NetEnt, Caesar's acquisition of William Hill, Bally's acquisition of Gamesys Group and 888 Holdings' proposed acquisition of William Hill International that's still subject to shareholder approval.

Simon French: It looks like the room shares Susan's views with 42% favouring the 888 William Hill deal as the one most likely create shareholder value. It's almost a dead heat between Bally's deal with Gamesys and Caesars' acquisition of William Hill.

Adam Craig, I mentioned earlier about how industry consolidation is leaving four, now maybe three, major players. Is there room left for mid-size operators in this market? I would historically categorise Gamesys as a mid-sized operator and you're obviously going through your own transaction. How do you see the landscape for those mid-tier operators?

Adam Craig: Everybody is a mid-tier operator unless they are one of those big three or four. This sector is characterised by creativity and innovation. And the history of Gamesys, like many other businesses, owes its successes to creative and innovative people. There's certainly space for new businesses to emerge. Particularly when you look at the US patchwork, you effectively have stakeholders in all the different pieces that make up the US market. And you have to imagine that they won't be willing to abandon their lunch to the big beasts.

Simon French: I think that's fair. Adam Rivers, is there an econometrics model that can predict all this for me?

Adam Rivers: Probably not but you can look at other market structures. I'd echo what Adam says, this industry is about innovation. The barriers to entry are still relatively low in certain jurisdictions. That being said, there are certain places where the lower end of the mid-tier will find it very difficult to compete. That's why we are seeing some companies even withdrawing from markets. The UK is a prime example where we've had a number of licences surrendered in the past 18 months due to regulatory change and the expectations on them. But I think that there's plenty of room for the mid-tiers for years to come.

Steve Caetano: Just to add, given the Big Four are doing all these deals, there's bound to be start-ups coming out of these deals and the restructures that could take place in the future. There is always space for other operators who are more nimble, who can move quite quickly and focus on certain areas of the big operators where they can try and improve product delivery, innovation, and other areas, and either license it to the big ones, or become acquired targets themselves. There is always room, certainly the way the landscape has shifted now.

Simon French: And Susan, your under bidder have they still got appetite for other deals?

Susan Breen: I can't comment on that but I think it's an interesting point that Adam Craig made: who is mid-size anymore? Who is small, who is midsize?

If you take out the really big guys and look at the movement, the activity is coming from the States. You've got DraftKings, Penn and Caesars, for example, with huge appetites and plenty of money. It seems to me that, with this amount of financial backing, making money is somewhat, I won't say irrelevant, but it's not the only focus. It's equally about sports and the potential for combinations with casino and trying to find tie-ups that will be real heavyweights. Dominating the digital entertainment space seems to be the way it's going with a focus on fan engagement and customer acquisition strategies.

You see that strategy also with the likes of Catena Media, Better Collective and XL Media sweeping in behind the US operators trying to engage more closely in the performance marketing value ads. It's about working in a very collaborative and symbiotic way with media. How do you sweep up these huge swathes of potentially valuable customers, sports and media teams? It's just an absolute melting pot with private equity backing writing the cheque and in some cases hoping it works. Does that US model work for the mid-size? And are they a squeezed middle?

Let's look at that squeezed middle: fantastic companies like Betsson and Kindred (and Gamesys – pre Bally). I think the question is, will the mid-market continue to want to go it alone with their own valuable creative businesses and make the occasional acquisition here and there or will you find a second seam of M&A activity. Do they wait for an approach?

That has to be one of the interesting questions that the boards of the large and mid-size companies are considering at right now.

Simon French: The media angle and the US market is very interesting. It certainly turbocharged the rough media associations we had over here with Sky, and the Sky Betting & Gaming that took an awful long time to come to fruition. I always remember Richard Flint saying that the Sky brand for the first time was probably more of a hindrance than a help because people were coming to the site organically, but the site wasn't good enough to retain the players. It wasn't until they'd got all the bits of a successful online gaming site as good as they could be that the Sky brand started acting as halo on that business. That's when it went through this period of turbocharged growth and they were able to exit. Then

"There's not a specific jurisdiction that you would call out as the next one everyone's going into because everyone's going everywhere."

you see things like ESPN in the US saying maybe we won't partner with a sports betting brand, maybe we'll license our brands to those operators. Is that a model that you think can work, Adam?

Adam Rivers: The ESPN choice is really interesting because there's a big trade off between certainty and potential riches. If you're going with a licensing agreement for $3 billion, that's a certain $3 billion in your pocket. If you're going down a revenue sharing model, you've got to make sure that you will be tying up with the right horse. One thing we've seen in the US is that it's pretty hard to pick who that right horse is going to be at the start. Not least from a profitability perspective because, as we've already discussed, many of these companies are loss-making. So what ESPN is doing is very interesting but the devil will be in the detail. When it comes to things like contractual terms, what's the length of this arrangement going to be? How do they ensure brand protection? Fundamentally, when you're arranging the licensing of that sort of thing, you're protecting somebody with a very important asset and you don't want to be the people that license it to a company that's going to end up in a player protection scandal or something like that. So it's a case of treading carefully.

Adam Craig: ESPN are also partly owned by Disney so you've got that challenge of marrying up Disney's own values with the sector. When we're talking about the blocks on some funds investing in sectors, the reasons for those blocks are sometimes based on values and that's another obstacle.

Susan Breen: Plus partnerships are, by their nature, quite difficult to run successfully. There's always a tension and strain somewhere, particularly the big ones and the complex ones that have ambitious goals. Licensing is entirely logical.

Steve Caetano: We've been involved in brand licensing deals in the past, and they've proven to work. Licensing with a perhaps a further option at the end of the period and things like that. It's certainly a proven model.

Simon French: If you look a little bit further afield than the US, we've seen Flutter strike a joint venture deal in India. We've seen Entain acquire a platform for Africa. Where are operators' sights trained next and how easy is it, from a legal perspective, to get deals across the line in some of these more far-flung territories?

Adam Rivers: I saw that story about MGM with a guy placing bets in space, maybe they're going there. The Flutter and Entain deals are interesting because you have got two absolutely massive companies that have a lot of chips flying around. They're relatively small bets so the risk profile there is a little bit more limited for them and they make sense in terms of a hedging strategy to be a bit more diverse.

India as a market is very interesting from a skill-based gaming perspective. There are big games there like Rummy that you don't necessarily see as much in other jurisdictions, but I think we'll continue to see that need for a global footprint and scale to survive. There's not a specific jurisdiction that you would call out as the next one everyone's going into because everyone's going everywhere.

Steve Caetano: These are emerging markets and they have been for a while but, like Adam says, we can't pinpoint one particular territory as to where the money is going to be in the next so many years. The key in these markets will be the roll-out of technology and verticals. I understand these markets are mainly mobile gaming so with the pandemic having accelerated the whole world going online, the higher connectivity, ease of access to the internet and to mobile phones and devices, now is the time to capitalise on these emerging markets because of the technology.

Simon French: Is it a time to capitalise whilst other people have got their sights trained elsewhere? For example, we've seen Latin America featured quite heavily on a number of operators' roadmaps but no one quite seems to have cracked that from a regulated market perspective. It seems to me that in some of these territories you can get into an unregulated market early on and then, when it does regulate, you find yourself almost to the back of the pack. People get very excited about Brazil but is Brazil going to regulate in a way like Germany has? It is almost an economic disadvantage that you've been there in Germany prior to regulation. Is that something operators worry about now, going into unregulated markets and the anticipation?

Susan Breen: It's more a combination of a number of factors. If you look at India, Africa and Asia, these are huge, untapped markets, but they are largely grey, leaving aside some of the color-coding of Asia. There is massive potential in social and gaming. So the Asia story with big social casinos and gaming is huge (bar the slight kerfuffle this week with China and Macau). It's already beginning to bounce back and it's probably too big to fail as a market but the Chinese government position will be a key factor. India, like Africa, is a long-held target market and it's sensible to keep the toes in, but it is a market that has either complete confusion around whether skill gaming is or is not exempt, whether there is a law there that applies to it, whether there should be a law that applies to it and it's federal.

The Bangalore outrage this week about banning skill gaming – the law is very confusing, but of course everybody loves skill games, it's just creating some problems. If you look at the trajectory of the US, we started looking at the first IPOs in 2003/4. If you're going to keep these markets in your sightlines you need to be relatively resilient and have fairly deep pockets. Looking at federal India and federal Africa, you may want to dip your toes in each of these estates because things can change at a moment's notice. The bigger companies, plus some of the smaller ones which have interesting tech angles, can afford to play the longer game while building home territories in Europe or keeping an eye on the US. It's a bit like the squeezed middle story, you have to look at other alternatives for diversification and other markets.

Simon French: One last question for you then and I'm looking for a one word answer. Will we see more M&A over the next 18 months than we've seen in the last 18 months?

Susan Breen: Yes, lots.

Steve Caetano: Yes.

Adam Rivers: Sure, why not?

Adam Craig: Less.

USA: The Land of Gaming Opportunity

Presentation by Susan Hensel

Hensel Grad P.C.

The US gaming market has long been viewed as a crown jewel for online operators although, as a nation, it was resistant for many years to the concept of online gambling and gaming. Susan Hensel, who is Co-Founder and Partner of Hensel Grad, P.C., a gaming law and consultancy practice focused on assisting gaming companies with understanding and complying with U.S. gaming regulatory requirements and who was named one of the 10 most influential women in gaming by iGB, is the former Director of Licensing for the Pennsylvania Gaming Control Board. She served two terms as the President of the International Association of Gaming Regulators and is an adjunct law professor teaching gaming law and regulation. Susan reflected on the long journey to the present-day reality in the U.S. where online gambling is being adopted at a state-by-state level, each with its own regulatory requirements. Susan also had some words of advice for those eyeing opportunities in the American market.

"I am here today to give you an update on what is going on in the U.S. and what is going on is, in a word – sports."

"First a little history. U.S. sports betting became legal in Nevada in 1949. And while it has long been legal in Europe and the U.K., the U.S. put up a halt to its expansion with the 1992 passage of the Professional and Amateur Sports Protection Act or PASPA. The law was sponsored by a former professional athlete turned US Senator who felt it was necessary to protect the integrity of professional and college sports. Major league sports and colleges agreed and in turn took a hardline stance against legalized sport betting.

These attitudes held firm during PASPA's more than 25 year reign. When the law was repeatedly challenged by New Jersey, major league football, basketball and baseball as well as the National Collegiate Athletic Association fought strenuously to protect the law.

The tide began to turn in 2014, when the NBA became the first major sports league in the US to support regulated sports betting but with the caveat that the states would have to operate under a federal framework. When the U.S. Supreme Court struck down PASPA in 2018, it sent responsibility for sports wagering straight into the hands of the states without the desired federal framework through which the leagues could benefit.

The sports leagues and the NCAA lobbied the states for control including putting forth the concept of integrity fees to give themselves a piece of the sports wagering pie. However, after the leagues and the NCAA had advocated against states' rights, state legislatures largely ignored their pleas.

Not surprisingly, the professional and amateur sports associations have undergone a complete turnaround and now embrace sports betting – especially if they can profit from it. In fact, the leagues have become increasingly aggressive in their quest to monetize their involvement – a point that has been well documented by the US press along with a fair amount of cynicism.

Post-PASPA, the leagues have entered into partnerships with major betting operators including Caesars; BetMGM; FanDuel, FoxBet and DraftKings. At the same time, states have been quick to legalize sports wagering. Once a near Nevada monopoly, the appetite for legalizing sports wagering is now seemingly without bounds.

Today, sports wagering is live and legal in 26 states. It is legal but not yet operational in 6 states. There is active legislation in 2 states and only 5 states have no legislation at all. Finally, legislation was initiated but has died in 11 states and the odds are very good that efforts in those states will be resurrected.

And opportunities still abound. The largest three US states – Florida, Texas and California – representing almost a quarter of the US population have not yet launched sports betting. And the fourth most populous state – New York – has retail sports betting with mobile on the horizon.

With just over half the states offering legal wagering, what can we learn from their implementation efforts? If we take a snapshot of the 26 states, you will see a variety of models and approaches regarding market access, integrity, tax rates and other factors.

The earliest states to launch tied market access to existing brick and mortar casinos or horse racing tracks. The land-based licensees knew that outside technologies and expertise were going to be needed, especially if jurisdictions wanted to stand up sports wagering fast – and they did. So the licensees lobbied to ensure that outside companies seeking market access had to partner with existing licensees.

In 2020, Tennessee became the first state to legalize mobile only sports betting untethering market access from casinos because there were no casinos in what had historically been a state opposed to gambling.

Virginia, like Tennessee, authorized untethered online sports wagering and it also provided an opportunity for sports franchises to offer their own retail and online sports books.

Michigan included a tribal component authorizing sports betting online and in retail operations by both tribal and commercial casino operators. Florida, Arizona and Connecticut also have tribal presences and provide for tribal participation.

On integrity provisions, the states have taken a mixed approach. Several states have prohibited wagering on in-state college teams, or on prop bets for in the state college teams – leaving that segment, arguably, to the offshore books or to proxies in other states where sports betting is legal. Some states also require integrity monitors and the use of official league data.

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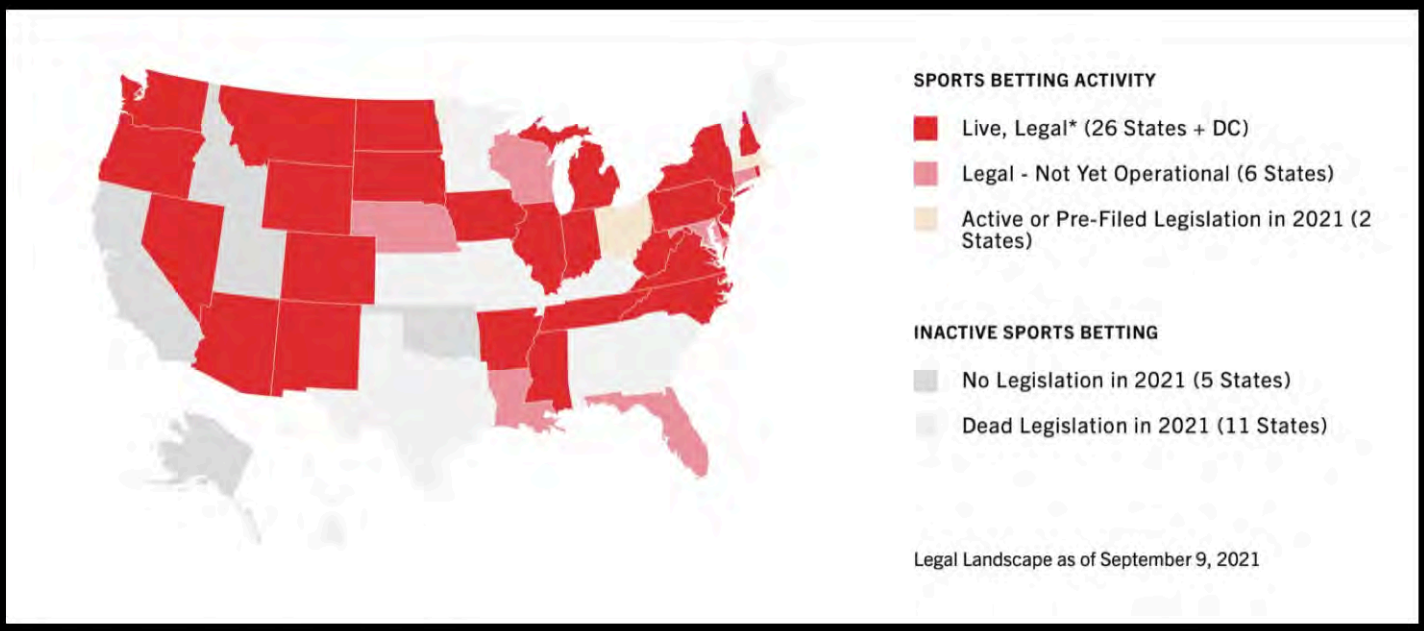


American Gaming Association

HENSEL GRAD GAMING COUNSEL

Tax rates range from about 7 to 15 percent with outliers as low as about 2 percent to in excess of 50 percent. How the tax is calculated again depends on the state. Some allow one or more deductions for promotions, federal excise taxes and even losses. These deductions have resulted in lower than expected revenues for some of the states.

Surprisingly, some states have failed to include in their laws funding for problem gambling.

Differences also exist in licensing fees; how to account for futures wagers; whether in-person registration is required to establish a player account and a range of other topics.

Going forward, we expect additional states to pass laws including Massachusetts, Ohio and North Carolina. And each will put its mark on the evolution of the industry.

Unlike the more deliberate spread of land-based casino gambling, the rapid start-up of sports wagering has left states more or less independent of one another – creating fewer opportunities to learn from the successes and failures of predecessors. Even within the states, regulators are still on the early end of the learning curve. And so, lessons learned are continuing to progress for regulators, operators, technology providers and players who are all moving along the learning curve together.

What has been clear from the start is a sense of urgency to legalize and launch. The question is why? It is a good question. After nearly three decades of being illegal, all of the sudden, sports wagering had to be not only legal overnight but also operational.

New Jersey launched approximately a month after PASPA fell. Some states took as few as four months from authorization to launch, others six.

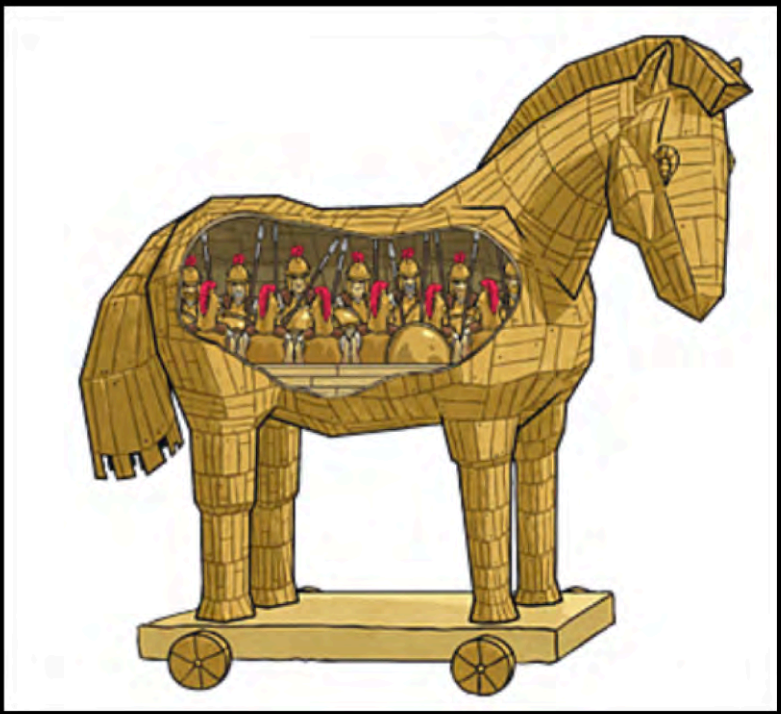
Part of the urgency was the mistaken belief that a tax revenue windfall would come from sports betting. Another factor has been the substantial pressure from operators and their lobbyists to expand jurisdictional footprints. Still another reason that has been offered – with somewhat less credibility – is the desire to eliminate the black market – albeit this was not of much concern in the years of PASPA.

This rush to legalize and launch has led to issues in some states where it can be argued there has been less than full attention paid to the regulatory details and the realities of sports wagering:

- Washington D.C. continues to struggle to make money since selecting a single operator to run its wagering operations. The jurisdiction consistently gets complaints that it offers worse odds than other states and that the betting experience is less than satisfying for users.
- Tennessee imposed an unprecedented hold requirement of 10 percent with what appears to be an imperfect understanding how to accomplish what is widely regarded as an anti-competitive goal. Tennessee also made headlines for suspending the licence of an operator in a process that was later suggested to be the result of the regulators not understanding the Tennessee law.
- In Arizona, there is continued controversy over a law that allows sports gambling to be run by professional sports teams rather than limiting gambling to recognized Indian Tribes as had originally been envisioned.
- There are also issues with what have turned out to be unrealistic tax revenue projections put forth during the legislative process – in some jurisdictions – but which have come up far short in reality.

There are other examples.

The sense of urgency persists. It is widely suggested by some that sports wagering is a Trojan Horse for increasing



Knock….knock…..

HENSEL GRAD GAMING COUNSEL

the spread of online gaming in the states. The phenomenon can be likened to the U.S. approval of medical marijuana as a door opener to recreational marijuana. This is important because despite the rapid spread of mobile sports wagering, online casino wagering has not been similarly embraced by the states.

Only six states allow online casino – New Jersey, Nevada, Delaware, Pennsylvania, Michigan and West Virginia. Companies that want to be in place when additional online casino markets open up, are gaining market access through sports wagering and will be poised to jump when a jurisdiction gives the green light. It is no secret that the real money is in online casino as opposed to sports betting.

And so, like the speed to market, the race for market share has also been aggressive. Ads are blanketing media platforms with registration bonuses and other promotional offerings. Affiliate companies are outdoing one another in an effort to secure every last player. Operators are working hard to build customer databases.

In states where online casino is live, cross-marketing is being used to convert the sport better to a casino player as well.

Securing market share is taking precedence over concerns about operator profitability. This is why much of what is going on in the US sports betting sector is referred to as a cash burn. In the words of some analysts, the fight for market share is a cash bonfire.

And no end appears in sight. Going forward, all eyes are on what happens next in those four largest states. It is unlikely initiatives will move forward in Texas in the near future although certain Nevada interests are lobbying heavily to legalize gambling there.

But California and Florida are very much in play. California has just short of 40 million people and is considered the US gaming prize. Florida has more than 20 million people. Incredible amounts of money are expected to be spent in both states trying to influence who, where and how sports wagering will be offered. Will California be limited to retail only at tribal casinos as is currently proposed? Will card rooms be included? Or will wagering be allowed over the internet? It appears all three models will be on the 2022 California ballot and efforts to influence which model will win are well underway.

In Florida the possibility exists for both retail and online wagering but who will offer it? Will it be a tribal, commercial or combined activity? This will likely be determined at the ballot box and through the courts.

The take away from all of this is that – like casino and other forms of gambling – the US is constructing a patchwork of approaches to sports wagering. This patchwork will pave the way for online casino in those states that choose further future expansion. What does this mean for operators and technology companies interested in entering the U.S. market?

"Securing market share is taking precedence over concerns about operator profitability. This is why much of what is going on in the US sports betting sector is referred to as a cash burn. In the words of some analysts, the fight for market share is a cash bonfire."

Take-Aways

- U.S. Market is state by state
- Follow the regulatory scheme
- iGaming is not sports wagering
- Pack your lessons learned
- Be well-prepared and well-advised

HENSEL GRAD GAMING COUNSEL

First, companies need to know that when they come to the United States, they do not enter the US market. What they enter are state markets, and it is important to understand the nuances of each individual state. No two US jurisdictions regulate gaming the same way. There are, to name a few, different barriers to entry, different compliance and record keeping requirements, different approaches to suitability and different regulatory personalities, cultures, experience levels and capabilities depending on where you go.

Two, if a company thinks it is going to convince a state regulator to change the way it regulates because that is not the way it is done in other countries or other states, the company had best leave that argument at home. While long term, a company and its advisors may be able to influence changes to laws and regulations, in the short-term, if a company wants to do business in a state, it needs to understand how to do it and to get with the program.

Next, don't assume that the road to igaming will be as easy as it was for sports wagering. The introduction of sports betting is a much more friendly proposition. Sports is a hugely popular form of entertainment and has loud and powerful advocates in the form of the major leagues, media companies, and consumers. The fact that there are 26 states with sports wagering and only 6 with internet gaming delivers and important message. It cannot be forgotten that portions of the brick and mortar segment could fight igaming expansion out of fear it will impact their share of the market.

On the flip side, I believe that as more states grow comfortable with online sports wagering, the acceptance of internet casino will come. Also favouring expansion is the experience of casino companies during the pandemic who watched the cash register continue to ring in those states that had online casino gaming.

Fourth, if a company does begin operations in the U.S., it should consider bringing with it the lessons learned in its home market. This is particularly true when it comes to advertising. New Jersey recently announced that it is monitoring sports wagering advertising to ensure it is not a bridge too far in terms of volume, intensity and content. New Jersey will not be alone in this focus.

Too much advertising, too aggressive tactics in advertising and misleading advertising could well result in a backlash. Already there are concerns about promises of guaranteed wins, bets that can't lose and other techniques that create unrealistic player expectations.

"And finally, understand what it is you are trying to accomplish in the U.S. and get your house in order before making the trip. The U.S. is, in fact, a land of great gaming opportunities but also a land filled with potential pitfalls and landmines. As we have been discussing, it is arguably more complicated to navigate and more strictly regulated than some other parts of the world. Know the challenges that reality presents for your company and develop a well thought out plan rather than trying to get to the party as soon as possible. Those who come well-prepared and well-advised will thrive in this latest American gold rush."

"Too much advertising, too aggressive tactics in advertising and misleading advertising could well result in a backlash. Already there are concerns about promises of guaranteed wins, bets that can't lose and other techniques that create unrealistic player expectations."

Responsible Gambling

Moderator: Adam Rivers

KPMG

Panellists:

Stephen Reyes

Gibraltar Gambling Care Foundation

Brigid Simmonds OBE

Betting & Gaming Council

Zsolt Demetrovics

Chair of Centre of Excellence in Responsible Gaming, University of Gibraltar

Sarah Condo

IGT

Responsible gambling, and the regulatory approach to it, is always a key area of focus for the KPMG eSummit and for the wider eGaming industry as a whole. Introducing this session, KPMG economist Adam Rivers observed that there continue to be significant changes in how safer gambling is viewed across jurisdictions, with developments often happening at pace. The previous 18 months had seen heavy restrictions on advertising in Spain, temporary COVID-19 deposit limits set in Sweden and confirmation that aspects such as game design will be covered in the review of the UK Gambling Act review. Noting that the restrictions imposed on people by the pandemic, and the subsequent change in player behaviour, created a wide range of challenges for the industry, particularly an increase in online engagement, Adam began by asking the panel how well the industry and the industry's regulators responded.

Adam Rivers: With regards to COVID-19, what do you think went well, what do you think should be here to stay and what perhaps should we have done differently?

Sara Condo: Undoubtedly there was more focus on consumer behaviour. We are now focusing on the well-being of our customers, our players, our employees and individuals. That's absolutely key, critical and necessary to attract the next generation, where it's extremely important to do the right thing and get focus on the people.

What did not work? My personal opinion is that, before, regulation was principle-based, where the operators and the suppliers had a bit of manoeuvre in terms of adapting the legislation, measures and protection tools according to the product, for example. Now things are becoming extremely prescriptive with very little data research, data crunching, and most importantly, research on addiction. What should stay is the focus on the well-being of the individuals but done in a way that is more shaped. The likes of Amazon, for example, are doing a fantastic job in really gathering and targeting their audience with the weaknesses and the benefits. This is what the gambling industry should go forward to.

Brigid Simmonds: I would be the first person to say the response was probably excellent. I say that because of all the things our BGC members put in place. The accusation that came with COVID-19 was that everyone went home and spent all that time gambling. Actually, the Gambling Commission figures show very clearly that simply didn't happen. Then there were fears that people after COVID-19 would not want to go into physical premises because the UK betting shops or our casinos were closed for so long. I don't think that was true either. People who want to go to physical premises are going back to physical premises although we've still got problems with international visitors so some of our international casinos are still closed.

The BGC introduced a 10-point plan. We banned advertising to begin with, then we had safer gambling advertising. We had many more interventions. There were lots of calls for either banning advertising entirely or for the industry to do more and I believe the industry stepped up and did more.

Adam Rivers: Zsolt, how difficult is it as a researcher when there is this amount of change or potential change in people's behaviour? How hard does it become to know exactly what the response should be?

Zsolt Demetrovics: It's an excellent example of what could be a basis for cooperation between academia and the industry. When there's such a challenge, like COVID-19 and the related lockdown, it really changes all aspects of our life, including our gaming behaviour. And it's very difficult to track what happens behind the behaviour seen at a personal level, or on the mental health state too.

If we want to plan any successful intervention, or any support or help, then it's really good if we could consider and put together all the different types of information: the very different data that the operators have and the data that researchers have, maybe even experiences from older cases or similar cases. We need a very quick response so we need to really understand the situation quickly and react quickly. It's really good if we can collaborate or if we can put together what we have from all these different perspectives. I know there were some good attempts to do that and it is continuing. COVID-19 and the lockdown changed the gaming behaviour, probably differently, of those who were at risk and those who were recreational gamblers. But we have already seen that when the lockdown is over, then there is again a change and it's not clear if it's returning to the former state or something different happens. There's a lot to track and try to manage.

Stephen Reyes: Responsible gaming is a feature that everybody seems to understand, that everybody has an opinion on, and therefore everybody thinks of the solution as a common sense solution. You see policymakers trying to make policy on the back of their personal experiences, or on the back of a targeted piece of research that may have been commissioned specifically to defend a particular line.

What we need to do is step back and approach responsible gaming from the perspective of trying to get credible independent research on which policies and initiatives can be based. This is where the Gibraltar Gambling Care Foundation is approaching this, from the basis of research. Obviously our main purpose at the moment is to fund the Centre of Excellence in Gibraltar, primarily to support obtaining independent, credible research, which can then form the basis of other initiatives.

It is an area where everybody thinks 'I've got the solution' but the reality is that it's a very complex area and needs to be studied in a more detailed way. Unfortunately, it's moving so fast that research has not been able to keep up. Academic research, particularly, which takes a lot longer than commercial research, has not been able to keep up with the speed with which changes are happening. This is one of the rationales for setting up the Centre of Excellence.

Sara Condo: The Foundation was founded by the GBGA, an industry body, so I think we are stepping up in the right direction. What I would like to see are practical tools for real gambling behaviour because as we said, most gamblers do gamble recreationally, the majority are not in danger to risk. But, yes, the industry has a strong appetite with the BGC and the GBGA to really focus on responsible gambling and start to shape the future behaviour of our players with the correct tools.

Stephen Reyes: This is why it's the right time because all the stakeholders have come together to support it. We want to see a world with no gambling harm and everybody seems to be pulling in the same direction. So it's an ideal opportunity. The Centre of Excellence has been born at the beginning of what is potentially a very collaborative effort going forward. What Zsolt brings to the table is the interdisciplinary skills to look at gambling harm, not just from the perspective of gambling but also from a behavioural perspective of individual behaviour and individual characteristics.

AR: One point just made is that academic research takes a long time. Of course, during the pandemic, we didn't have time. A number of regulators decided to act quickly without necessarily fully informed opinions because they didn't feel that was appropriate given the situation.

Zsolt Demetrovics: It requires time but, on the other hand, we have many research experiences which can be applied for new situations as well. It doesn't mean that we always have to do new research or wait for new results. So we have a lot of background information from similar situations which might be helpful and applicable, not just from gambling but also in the general mental health area.

The other thing that academic research can add is independent monitoring and evaluation, really looking at what works and what doesn't. We can all have excellent ideas to prevent gambling harms but we have to check which ones work and which ones don't.

"What we need to do is step back and approach responsible gaming from the perspective of trying to get credible independent research on which policies and initiatives can be based."

Adam Rivers: The GREO report published last week for the Gambling Commission found that over-regulation of products and overly-restricted products tend to have the impact of moving players offshore. The quote is that "offshore providers are correlated with increased gambling severity". So it's something to avoid. But, on the other hand, some of the restrictions coming in on 31st October have been seen as a bit more controversial with, perhaps, a lack of full understanding of the academic evidence put in front of the regulators. Is there a disconnect between really strong, robust academic research and a willingness from the industry to fund it and give the data? And are policymakers fully understanding and interpreting it in the right way, or do we end up with just simply more political decision-making and adverse outcomes for the industry?

Brigid Simmonds: I certainly think there's been a danger in the UK that people have set up panels of only people who've had a problem with gambling. Therefore they have a particular view and they've had a particular experience. We're probably not as good at asking normal consumers, who are below the parapet and who gamble perfectly responsibly. We need to make sure that we get everyone's view before we take something forward.

There's been some very interesting academic research done about display, and how you approach safer gambling messaging. We've definitely found that if you tell people, they resent it. There must be behavioural science to this, to how you achieve that nudge. Making people aware of it, being in their consciousness without coming up with something that is so draconian that people just ignore it.

Sara Condo: Going back to the RTS changes, if you look at the path of it, the Gambling Commission put out the consultation to the industry and to the public. At BGC we were ahead of the curve and did impose on ourselves the changes that Brigid illustrated this morning. Our experts in product design and the game designers had already got together, using their insight and expertise, to introduce the measures and features that they believed would help gambling behaviours such as the multiple screens,the slots in the multiple screens which has proven to be very helpful.

Again there was very little data and very little research on it and it's not very clear where the Gambling Commission got their resources. There was a statement made that this was one of the most responded to consultations that the Commission had done but they have not really incorporated what the industry said. Most of the responses were from the public.

Adam Rivers: It would be remiss of me not mention the ongoing debate around affordability and whether affordability is almost a silver bullet. The logic I have read is that if somebody can prove what they can afford to gamble, then who are you to say whether or not they should be having £10 or £50 on a slot machine or betting on markets X, Y and Z? How do the panel feel on affordability as a measure? Is it a silver bullet or something to be wary of?

Stephen Reyes: Affordability sounds as if it's something that needs to be taken into account because it sounds very reasonable. Unfortunately, people are individuals and there's a whole raft of different individuals so it's a very subjective area. It's very difficult to put in a rule that works for everybody and that's the biggest challenge. There's been very little research done behind affordability as a solution but I think it would be very difficult to come up with something that is a silver bullet. I don't think that exists.

Brigid Simmonds: Stop calling it affordability for a start because that's completely the wrong thing. I think it was a minister who referred to it as "enhanced spending checks", that's really what we're talking about, how do we do our checks and how we fit within the privacy laws. GDPR is quite restrictive and even though the Information Commissioner in the UK is owned by DCMS, getting them to talk about the single customer view is really quite difficult. So there's a two-way street to this.

Operators are doing much more. They can use public information. They can use an organisation like TransUnion to check where people live and for credit checks. It's not a complete science: if you live in London in what might be seen as some sort of deprived area, that doesn't mean necessarily you can't afford to spend money on gambling. So you've got to do a whole range of checks and use the implements and the tools that you've got to make those changes.

At the end of the day, you've got some people who can afford it and some people who can't afford it. But you have got to check – and this is where I do have sympathy with the Gambling Commission – we've got to stop people from spending an awful lot of money that they can't afford very quickly. We have to make sure that our interventions are good enough to ensure that that doesn't happen. I think we're doing much better in that area but you also have to look at it the other way round: sadly some people will for example, use a different name and will try and get round the system.

We have tools like GamStop, SENSE and the wonderfully named MOSES scheme: all of those things are there to help customers. But, at the end of the day, the phrase "You can take a horse to water, but you cannot make it drink" has some analogy here.

Zsolt Demetrovics: Unfortunately, there's no silver bullet. As a problem, gambling can be very different according to the different types of games and the different personalities and other background characteristics of the people involved. As they are different, the approaches to help them must be also different. There is no one single solution.

Moreover, the situation is changing. The games are changing, the population involved in it is changing so safer gambling interventions must also be monitored continuously and changed accordingly.

What would be useful in this regard is having different types of data to understand the situation. So, again, if we come to the possible cooperation between operators and researchers then there is a lot of very different types of data available in these two settings. The gaming industry has a lot of behavioural tracking data, so exactly what an individual does when they gamble. We, as academics, know much more about the background and individual or socio-demographic characteristics, and other characteristics which are not there in the hard data in the industry. If there is any chance to put these different data together, it could lead to more sophisticated intervention possibilities.

Brigid Simmonds: Adam, I was looking at your poll earlier which was asking whether the industry should speak with one voice and it's an interesting question. This is not a commercial negotiation that you're having with Government, it's a political discussion and you've got to think of the politics about this. So we're having lots of thoughts with our members but we've got a long way to go in this discussion. In the UK, we're not even going to get a White Paper, if we're lucky, until the end

"The other thing that academic research can add is independent monitoring and evaluation, really looking at what works and what doesn't. We can all have excellent ideas to prevent gambling harms but we have to check which ones work and which ones don't."

of the year. Then there's got to be a consultation on the White Paper. So it's getting everyone into the right place as to what it is that they could offer but then there's the negotiation period, which is very different from anything you might experience from a commercial perspective.

Stephen Reyes: To an extent, we're a bit lucky in Gibraltar because our licensing regime has restricted the number of licensees we have. We have very good quality operators in Gibraltar who are all behind this responsible gaming initiative. We're in a great place with good operators, together with the academic world, to put something out that will perhaps put Gibraltar in a leading global environment and help support the global research agenda. I think we've got something here that, hopefully, over the years we will see develop.

Adam Rivers: Moving to the subject of advertising, we have seen the new regulations in Spain, which I think many feel are somewhat misguided in only allowing advertising in the hours in the day where more problematic behaviours seem to occur. Advertising is always going to be a focal point of the Gambling Act review. I think the paper that we had from GREO last week also mentioned the effectiveness or relative effectiveness of the whistle to whistle ban. Where should we go with advertisers from a responsible gambling perspective?

Brigid Simmonds: I'm a great believer that advertising is only really about brand – and I think the vast majority of us ignore advertising most of the time. I'm a great football fan and I watch quite a bit of football but I pay absolutely no attention to what it says on the shirt or what's going on around the perimeter of the pitch.

Obviously, if people are vulnerable to that sort of thing, we need to watch that. But I've listened to quite a few ministerial statements in the UK saying there isn't any real evidence that advertising is causing people to have a serious problem with gambling. And, if there isn't any real evidence, why are you looking at how to restrict it?

Let me tell you a brief story: if you have an alcohol licence in the UK, you have to advertise in a local newspaper that you're going to make a change to the licensing hours. Now, there is no evidence that anyone reads it in a local newspaper. In my previous job, I tried many times to get rid of it and I couldn't because local politicians like to support local newspapers, and local newspapers would go out of business if you didn't have advertising. So you've got to recognise this is not only about us as an industry and what we're interested in, there are many others out there like the media companies who have an interest. Would you get racing being shown on Channel 4 if there wasn't advertising to support it? So there's some complex commercial and political thoughts that have got to go on around that.

Adam Rivers: Zsolt, how about in the academic world? Presumably this crops up in a number of the fields that you work in?

Zsolt Demetrovics: Yes, and I'm sorry to say again, that it's a complex issue. We need to look at who is the target group? What is the message? Who is the person who sends the message? And if it's about gambling in general or about safer gambling. It's not something where you can say a general yes or no, you have to look at the effectiveness of different advertisements in different contexts to see if they have any harmful effect or not, it's looking at certain messages and monitoring them specifically.

> "There's been very little research done behind affordability as a solution but I think it would be very difficult to come up with something that is a silver bullet. I don't think that exists."

It's something which we don't have that much evidence from gambling research, but there's a lot of transferable evidence from other areas such as alcohol, tobacco or drug prevention messages. And to get results, you have to be really specific about the characteristics of these messages, there isn't just a yes or no answer.

That's often perceived as a problem with academic research, that we kind of seem to complicate things. And that's always an issue with politics and politicians, as well as the industry, where people want a clear yes do that or a no don't do that. Researchers usually give more complex answers. But the real world is more complex.

However we can have results if there's a specific advertisement, or a specific, well-defined intervention aimed to help problem gamblers, that is something that we can evaluate, monitor and suggest how you can make it better or modify it. That's another issue with any intervention or advertisement, that it's never simply bad or good. Even a good one can be made better. There's always space to modify and change it and that's what academia can add.

Brigid Simmonds: This is not about physical advertising necessarily, it's about what you do in the online space as well. That's where we've taken quite a lot of action in the UK.

Sara Condo: Absolutely and, again, the focus on advertising is coming from political pressure, Spain and Italy being examples. Sweden will follow soon. As Brigid said this morning, the University of Liverpool has actually proven that sponsorship does not lead to an increase in gambling activity and we have very little research behind this. It's just policymakers' opinion or their impression about what actually is the core of the issue. Again, going back to affordability, it is one marker of harm, it is not the marker of harm. It will be so simple to say, yes, that's it, let's put a cap on it but it doesn't make sense and all this pressure on policymakers on prescribing and limiting goes two ways. Either going towards black and grey markets or becoming so prescriptive that we lose focus on the target itself.

Adam Rivers: It appears that the room definitely agrees with the panellists with around 80% thinking that policy currently isn't increasingly evidence-led but motivated by politics. So we've talked about the need to collaborate and we are collaborating; the need to be more sophisticated and we know how to do that. What is going to be the biggest blocker to your success in Gibraltar as you move forward?

"You have to look at the effectiveness of different advertisements in different contexts to see if they have any harmful effect or not, it's looking at certain messages and monitoring them specifically."

Stephen Reyes: To an extent, it's time. People have to recognise that there is a big difference between the commercial world and the academic world, and when you try and put commercial expectations onto an academic programme, there might be a disconnect. It's important for the operators and the industry to realise that the academic world will inform but there is a different approach to the initiatives taken. Managing that expectation gap is a challenge that we need to understand.

Brigid Simmonds: I do think we are right, though, to start with at risk customers. We've got a lot of people who gamble responsibly within their means – I gamble but I wouldn't necessarily want to be part of a study. Zsolt, as you go forward, you're going to have to limit what you're looking at and be aware of how much information you're going to get. I would certainly urge that we start looking at people who have risk and who have problems.

I often say that when your children go off to university, you talk to them about how much they drink, give them long lecturers about Freshers Week and all those other things that go with it but you don't have that conversation about gambling. Unlike alcohol, where it's obvious, with gambling it isn't. We need to learn to talk about gambling a little bit more. The world has moved on and parents perhaps don't understand what people can do on their smartphones now. So we need to be having those conversations in a general way. But if we talk about this as if it's something which no one should be doing, then I think we're wrong. We should be saying this is a leisure activity, you can do it but just be careful what you do.

Sara Condo: Absolutely, more targeting. We need to understand the needs of those who are at risk.

Zsolt Demetrovics: I fully understand and I'm also optimistic in this regard. I looked at the reports of the e-Summit two years ago and Professor Catherine Bachleda, the Vice-Chancellor of the University of Gibraltar, was here with the plans to set up the Centre of Excellence in Responsible Gaming and that has happened now. The Centre is very much open for any collaboration in this regard and I fully agree our interests are very similar in the need to understand the difference between recreational or gambling without problems and harmful or at-risk gambling. To first figure out and understand as much as possible the background factors, then the ways we can intervene, help and reduce gambling-related harms effectively.

In terms of success, co-operation will be very, very useful because we have different approaches with different views, different types of data and different tools. If we can put these together, that could really bring out something new and there are good signs that the world is moving in this direction. I'm really optimistic and I'm open to any such cooperation.

Adam Rivers: We will end on that very nice bout of optimism. Thank you very much to my panellists.

Reviewing Britain's Gambling Laws - What could possibly go wrong?

Presentation by Dan Waugh

Partner, Regulus Partners

The UK Government's review of the Gambling Act (2005) has the laudable aims of ensuring the regulatory framework "can protect children and vulnerable people, prevent gambling related crime, and keep gambling fair and open in the digital age." It is also intended to be an evidence-led review. Regulatory commentator Dan Waugh, who advises clients on responsible gambling programmes, was founding Chairman of the educational charity YGAM and has presented to the House of Lords Select Committee on Gambling, examines the challenges and potential pitfalls for the industry – and consumers – in an area where responses are often agenda-driven and quality independent research is hard to find.

The first major governmental review of gambling legislation in two decades got off to a good start. The Department for Digital, Culture, Media and Sport (DCMS) posed 45 sensible questions in its call for evidence and set out terms that were consistent with the Reno Model logic of our existing legislation.

The review was conceived as a process in legislative modernisation: ensuring that our laws remained "fit for the digital age" and retaining the Gambling Act's pursuit of balance between consumer freedom and enjoyment on the one hand and protection of vulnerable people and children on the other. Importantly, it was to be an evidence-based review, although as we shall see that in itself poses a number of challenges.

Not everyone, however, was on the same page. Rather than catching up with the digital age, some contributors to the review seem to hark back to a different era. Legislation "fit for the Rule of the Major Generals" might be a better way of characterising it.

Flying under the rather broad banner of public health, they have identified the review as an opportunity for a fundamental rethink on gambling policy and the imposition of ever greater restrictions on the freedom of the gambling consumer. These goals are underpinned by claims that gambling is an inherently harmful activity with few or no redeeming benefits. In short, that gambling is the new tobacco.

This view was expressed by the Gambling Health Alliance, a coalition led by the Royal Society for Public Health and which includes GambleAware among its members. Adherents to this view also include several senior members of the NHS, we suspect the Gambling Commission's Advisory Board for Safer Gambling and, most probably, some elements of the Commission itself.

Thus, while the review encompasses a range of practical, tactical questions in relation to advertising, staking and spending limits, and regulatory powers, I would argue that the real battle is between those who wish to reform the way that regulated gambling is conducted and those who wish to make gambling a socially unacceptable and generally discouraged pastime.

Evidence is critical and the DCMS determined from the outset that policy would follow the science. Unfortunately, as we know all too well from the events of the last 18 months, science is rarely clear cut and is often contradictory. Selecting and interpreting evidence can be a highly subjective exercise.

Unsurprisingly, we have had to listen to an awful lot of quackery since the review kicked off. This has included an Oxford University study of gambling and harm that used spending data from customers of Lloyds Bank which spectacularly over-stated that spending by assuming that, in gambling, money only ever flows one way.

The brains trust at Bristol University produced a paper on the location of licensed gambling venues by reference to deprivation. Unfortunately the dataset they used manage to overstate the number of casinos in Britain by 50%, the number of arcades by 30%, the number of betting shops by 20% and the number of bingo clubs by 6%. It is a general rule in research that if you put nonsense in, you get something rather similar out.

Much of the recent academic output is not simply inept but also appears subject to ideological bias. The Oxford-Lloyds Bank study mentioned, for example, characterised below-average spending on academia and gym memberships as examples of harm – a claim that drips with condescension and is far from disinterested.

The profusion of agenda-driven research is no accident. In 2019, a group of researchers published an article in the Australian and New Zealand Journal of Public Health. It called on academics to "systematically build advocacy movements in gambling reform" revealing that "researchers have identified factors that contribute to effective public health advocacy, including: using evidence in support of policy recommendations; engaging with communities and the media; and building coalitions and alliances."

The authors called for the use of research to "establish a sense of urgency", to "form a powerful guiding coalition", and to "plan for and create short-term wins."

This year, The Lancet Public Health announced the formation by international researchers of a new Commission on Gambling. The stated aim of this commission is to achieve "transformational change in policy and political action."

This language of research-based advocacy has been echoed by the researcher leading the Public Health England review of gambling-related harms. She wrote last year that "more research and evidence are needed to support advocacy and action", recommending that researchers develop the narrative through campaigns to raise awareness of gambling – not just disordered gambling – as a health harm.

Meanwhile a team from the University of Sheffield, commissioned by the National Institute of Health Research to review the effectiveness of regulatory interventions published its punchlines at the outset of the project. Before they even did the work, they said what should happen: taxes should be raised and marketing should be curbed. They did this, they said, because they thought it worked for fizzy drinks, alcohol and fast food so therefore they were pretty comfortable it would work with gambling.

A year later, the team admitted that they had found very little evidence to support this but insisted the recommendations should be implemented regardless.

Both of these reports are government-sponsored and tax-payer funded and so, despite legitimate concerns of bias, will likely be heavily influential when they are eventually published.

From the industry there is only a faint dribble of applied research. Kindred has probably led the way on this, using reliable data and direct customer engagement to draw out the nature and scale of harms, the effectiveness of measures to prevent harms and also the consumer benefits from gambling which are typically ignored.

It's worth saying not all academics are in this camp. I would direct anyone who is interested to the work of Paul Delfabbro and Daniel King of Adelaide University who have written some very thoughtful pieces including one on the pitfalls of academic researchers transforming themselves into campaigning advocates.

Last week, with the Gambling Act Review White Paper seemingly on the horizon, the Prime Minister pulled the plug on both the Minister and the Secretary of State responsible. In politics, it is generally unwise to assume too much but the appointment as Culture Secretary of Nadine Dorries, fresh from her stint as Minister for Mental Health and Suicide Prevention, and former FOBT campaigner Chris Philp as Gambling Minister hardly seems to augur well.

We are nine months into the biggest review of gambling legislation and are already on our third Gambling Minister, our second Secretary of State, our second Commission Chair and second Commission CEO. Clutching at straws, we might at least hope that Boris Johnson's love of ministerial roulette indicates an affinity with the gambling consumer often lacking in his fellow parliamentarians.

We should really have seen this coming. Over the course of the last 11 years, ministerial oversight of gambling has been somewhat transitory – the political equivalent of a job in the dug-out at White Hart Lane. Is it any wonder that matters have been allowed to become so confused?

Tessa Jowell and Richard Caborn oversaw the full implementation of the Gambling Act. They remained in post for six years and even then it was a fraught process and an imperfect solution. What hope have we got when we don't have any stability within DCMS?

There is also the matter of the Government's cross-department addictions strategy. This was a Conservative manifesto pledge back in 2019 and it encompasses gambling alongside drink and drugs.

REGULUS PARTNERS

Our base case

The Review Objectives

1. Examine whether changes are needed to the system of gambling regulation in Great Britain to reflect changes to the gambling landscape since 2005, particularly due to technological advances

2. Ensure there is an appropriate balance between consumer freedoms and choice on the one hand, and prevention of harm to vulnerable groups and wider communities on the other

3. Make sure customers are suitably protected whenever and wherever they are gambling, and that there is an equitable approach to the regulation of the online and the land based industries.

Our interpretation

- Legislative modernisation rather than fundamental rethink
- Consistent with the spirit of the Gambling Act 2005 – focused on the customer
- Likely to lead to more detailed, tighter online controls
- Landbased gambling legislation brought into the 21st century?

Unlike the Gambling Act review, this project will be led by the Department of Health & Social Care. With the industry largely focused on the DCMS review, there is perhaps a risk that it will be blind-sided by a health-led review that has little interest in the opinions or evidence of the industry – and likely little interest in the views of the gambling consumer.

While the DCMS may be in charge of the legislative review, the Gambling Commission retains very broad powers to control gambling under the Licence Conditions and Codes of Practice – and in recent years has become far more expansive and autocratic in how it is prepared to use them.

Its attempt to railroad through state-imposed spending limits of £100 a month on the eve of the Gambling Act review appeared to be a clear example of regulatory overreach and we must hope the Government agrees. The regulator is right to raise standards of financial harm prevention – but telling adults how much of their own money they are permitted to spend on gambling is surely not the answer.

The Commission plans to report back findings from the consultation exercise within the next few weeks. This will involve further modifications to the Licence Conditions and Codes of Practice. With the regulator under new management, we must hope that they are more considered than their plans for affordability checks.

In the meantime, there are continued rumblings of re-regulation through the back door via the imposition of special conditions via enforcement action. The Commission's approach to enforcement has long been criticised as unhelpfully opaque. This is something that the All Party

REGULUS PARTNERS

The bear case

The Public Health Agenda

"This review of the Gambling Act is long overdue and it is time to put the often spoken about "public health approach" into practice. Just as we have rightly taken steps to ramp up the regulation of other harmful products such as tobacco and junk food, we now need to do the same with gambling".

Gambling Health Alliance

What could possibly go wrong? The Evidence

REGULUS PARTNERS

- *"More research and evidence are needed to support advocacy and action"*
  Public Health England, 2020

- *"Although reviews of the evidence directly related to gambling harm are currently underway, there is already increasing evidence from other sectors that a public health approach that includes fiscal measures and reduces exposure to advertising and access to harmful commodities could reduce population level harm. The introduction of restrictions on marketing and increasing taxation12 on the products associated with higher risks of harm have been used to reduce tobacco, alcohol, and sugar sweetened drink consumption. These examples should give policy makers confidence that similar policies for gambling would also be effective if successfully implemented."*
  Goyder et al., 2019

- *"If research findings are presented by people who clearly present themselves as advocates for significant gambling reform and who also believe that gambling is inherently bad, would not the same concerns [as pertain to deliberately pro-gambling research] arise? Could such an advocate still be trusted to undertake unbiased and objective scientific research?"*
  Delfabbro & King, 2020

- *"My view on independence is that the independence of research can equally be challenged when you have researchers who are starting to get into that kind of campaigning space. We want proper independent research and there is a space around gambling and a need for researchers, campaigners and policymakers. We have had too many examples of them wearing interchangeable hats."*
  Tim Miller, Gambling Commission, 2019

Parliamentary Group for Betting & Gaming is now seeking to bring to light.

Finally, we have the gambling operators themselves. Welcome to the jungle everyone – never underestimate the appetite for self-destruction of the licensed gambling industry. Organised foot-shooting spans the gamut from repeated and genuine failures to look after customer well-being to in-fighting between operators and between different sectors.

The tendency of some operators to suggest that they know best how the market as a whole should be operated is generally unhelpful – and suffers in terms of credibility when the operators claiming enlightenment have recently faced enforcement action for compliance failings.

Tombola, for me, provides the model when it comes to social responsibility, adopting policies over and above compliance in order to prevent harm but not attempting to impose them on competitors.

By way of summary, here are a few of the joyous events awaiting us ahead in the months ahead:

Public Health England – Gambling-related Harms

NIHR/University of Sheffield – Harm prevention

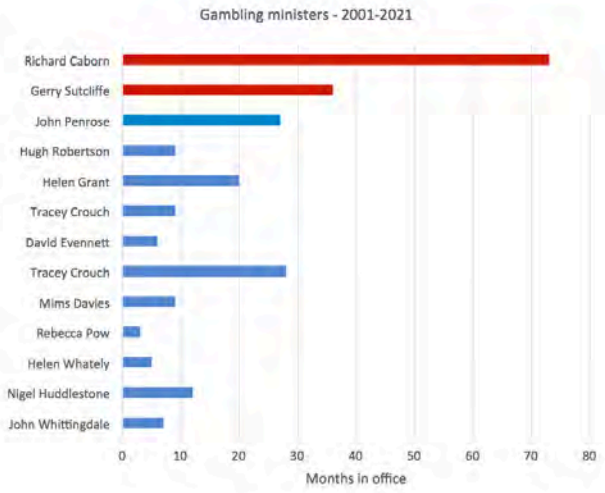
Gambling Commission – LCCP revisions and harm reporting (surveys)

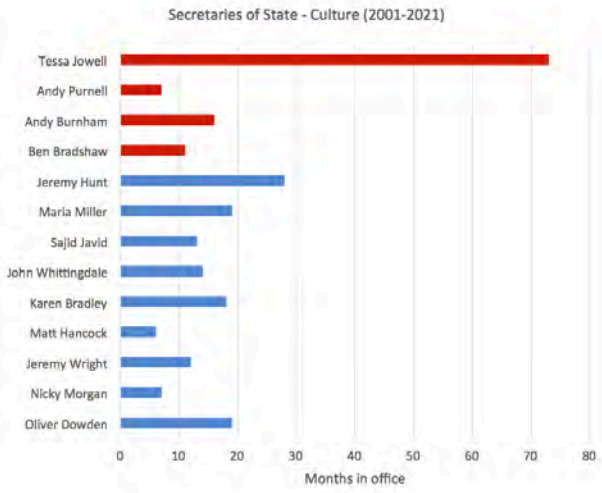
DCMS – White Paper

DHSC – Addictions Strategy

What could possibly go wrong? The Government

REGULUS PARTNERS





Canada Update

Paul Burns

President & CEO, Canadian Gaming Association

Doug Hood

Project Director for Sports Betting, Alcohol and Gaming Commission of Ontario

While the US online gaming market has been drawing plenty of attention in recent years, the Canadian province of Ontario has also been working hard to launch a regulated sports betting and gaming market in the North American region. The eSummit was joined by two key figures in Ontario gaming to discuss the latest developments: Paul Burns, who was instrumental in establishing the Canadian Gaming Association in 2005 to advance the evolution of Canada's gaming industry, and Doug Hood, responsible for developing and setting the overall strategic approach and implementation plan for the Alcohol and Gaming Commission of Ontario expanded sports betting mandate and regulatory framework. Together they outlined the regulatory approach that Ontario is taking and the challenges and opportunities presented.

Paul Burns: Ontario is the largest market in Canada with about 14.6 million people and rising. For context, it would be the fourth and fifth largest state if you combined the United States and Canada. So it's not an insignificant-sized market.

As many of you may know, Canada has had a very robust grey market for online gaming over the years. Two years ago, the province of Ontario set a direction to start looking at exploring the creation of a regulatory market for online gaming to begin a revenue share and regulated market. We are on the cusp of seeing that come to fruition.

Doug, can you start by giving us an overview about Ontario's approach to creating the regulatory framework for iGaming and sports betting in Ontario?

Doug Hood: Our primary objective is to channel players from the unregulated market into the regulated market and to ensure that as many Ontarians get those regulatory protections as possible. As Paul said, there has been a grey market that has been active and we want to make that transition as smooth as possible.

At the Alcohol and Gaming Commission of Ontario (AGCO), we've started with a risk-based regulatory approach, meaning we focus on what matters most to the regulator and get rid of as much of the unnecessary regulatory burden as we can. It's outcome-focused. So we're focused on the "what" rather than the "how", in the hopes that will allow industry to innovate within our free market. And, finally, it's compliance-focused: we're proactively working with the industry to ensure compliance. Not in a "gotcha" kind of approach, but working collaboratively to try to ensure that compliance is met, especially the outcomes that are desired under a regulatory framework.

The other key component is that we're establishing an open competitive market. So participating in the Ontario market is not tethered to a specific land-based venue or product. It will be open and competitive and we're hoping to attract companies from around the world.

Paul Burns: So there are no limits on licences? Anybody who wishes to apply is welcome?

Doug Hood: As long as you're eligible under the framework.

Paul Burns: People may understand a lot about a tax and regulated model. Ontario is not that, it's a revenue share. Can you explain about the commercial agreement arrangement, how that's a little different? In Canada, we have this thing called conduct and manage, which we won't get into detail on, but it requires some modifications around the model and relationship.

Doug Hood: Conduct and manage is something that's difficult to explain outside the borders of Canada! At a really high level, there are a few words in our criminal code that talk about conduct and manage. That's something that's been interpreted in lots of different ways across the country at different times. Basically, it means there has to be something beyond just regulation. There has to be some sort of commercial relationship between the province and those who are participating in the market.

The AGCO has always been strictly a regulator in the traditional sense that people would know and be used to in other jurisdictions. But for the iGaming market we've created a subsidiary of AGCO called iGaming Ontario (iGO). It's a subsidiary that will establish that commercial relationship.

Then there's a third party, the Ontario Lottery & Gaming Corporation. They continue to exist as the conduct and manager for their own internet gaming site as well as products that are outside of the internet gaming market. So for land-based, lottery and casinos it will continue to be the Ontario Lottery & Gaming Corporation that will have that commercial relationship. iGO is going to be setting up an operating agreement with the operators that have also been registered (the equivalent of a licence) by the AGCO.

Paul Burns: So there have been a lot of consultations on the proposed model, some dating back as far as two years ago. But now we've seen final regulatory standards, the release of technical standards and the draft commercial agreements for those companies who have signed up. Can you explain where we are, where we are going to get to in terms of steps that organisations need to take in the next few months and when the market opening may be?

Doug Hood: We're pretty far along. We are working at a rapid pace in terms of trying to make sure this is up and running as quickly as possible. As you mentioned, there have been different kinds of public and industry engagements. We've had four deep engagements on eligibility, compliance those draft Standards that you were talking about as well as sport event betting.

There's been a lot of interest and we continue to refine our standards. We've also put out a couple of application guides so that people who are interested in participating know the process that they need to undertake both as operators or gaming related suppliers. Our AGCO external-facing IT system is now open for those registrations. So you can go in and submit your registration if it's ready to go. iGO has also issued the operating agreement for those who have signed an NDA.

In terms of the actual process, as an operator you'll have to confirm that you can comply with our final standards. The caveat to that is they're never final because they're Registrar's (i.e. AGCO) standards, so we're always taking a look at them. Then you'll need to be registered with AGCO and sign the operating agreement with iGO. If you're a gaming-related supplier, you just need to be registered with AGCO. In terms of the technical component, for the first time AGCO has opened up technical testing to independent testing labs that have been registered with the AGCO. So there are different options in terms of moving forward with the testing.

The other thing to mention, in terms of the overall framework of the Gaming Control Act, is that Ontario doesn't distinguish between the various categories of either operator or gaming-related supplier. The important part here is that if you're an operator online, you will be able to offer sport as well as casino-style gaming online. There is no separate registration process.

Paul Burns: So the standards include online gaming, casino gaming and sports betting – an integrated product. I know lots of sports betting operators in North America who are anxious and happy to be able to offer casino.

One of the things a lot of people talk about, especially those who have been participating in the grey market, is there are no penalties, no timeouts required or restrictions for those companies entering the market. You're really working on making it a seamless transition going from the grey market to being a licenced operator within the revenue share model. The challenge is trying to create a market within what is already a semi-mature online gaming market in Canada, in Ontario particularly, and getting those operators into the marketplace.

Do you have any comments around that seamless transition and the work you're doing with the operators?

Doug Hood: There's an online presence Ontario, we acknowledge that. Not all the details of the transition have been completely ironed out yet but the goal here is to bring people in. So we're working with iGO to make sure that transition is as smooth as it can be in terms of having a dialogue with the industry, in terms of the steps that need to be taken to transition to the new system.

The goal is not to be punitive in nature: we're going to meet the policy and legal requirements that we need to follow as a regulator but try to do that as seamlessly as possible. Really the focus moving forward will be on those that choose not to join the regulated market. That's where our primary focus is going to be. So not necessarily looking backwards, we're going to be looking forwards as regulators and a jurisdiction.

Paul Burns: Turning to sports, the sports betting regulatory standards are finished. As you said, they are embedded into the standards for online gaming. It was great that we've been able to now get this Criminal Code changed and the market is off. Can you talk about some of the features of the market and give some of your thoughts on the approach and how things are going to work with sports?

Doug Hood: So this has really been my focus for the last couple of months since the legalisation of single event sports betting in Canada, which Paul had a big hand in over the years. With that now in place, it unlocks a number of products that weren't previously available. We wanted to take a really close look especially at the igaming market, and make sure that we were ready for the launch of this open competitive market.

As you said, it's embedded into our overall approach. So you're not going to see a separate set of standards for sport and event betting, they're embedded right into the Registrar's Standards for Internet Gaming.

How we develop those standards is risk-based – we look at the risks across the board. When we did that, we found, for the most part, the other risks we had already identified for the rest of the internet gaming products applied. Whether that's advertising, whether that's responsible gambling, those have been embedded in the rest of the standards. So what we were really looking at was a discrete set of revisions to those standards. We focused on the primary risk which is the potential for the compromising of the betting markets by things like game manipulation or insider betting.

You'll see that the revisions we made have very much focused on that risk. So, for example, operators are going to be expected to be able to analyse the betting trends and the betting data that they have to identify suspicious betting patterns that could identify those types of risks. There is a prohibition on insiders betting, whether they be athletes, coaches or those with insider knowledge. We also set out what is acceptable criteria for the bets that can be offered. So those were the types of tweaks that were made.

I mentioned the engagements before. The final one was on sport and event betting. We didn't know if people had had enough with providing submissions to the regulator, but that wasn't the case. There was a lot of interest and we had 41 submissions, the most we had. For the most part, they were supportive of our approach but asking for clarification on a few pieces. We did tighten up some of those pieces, but the framework we put out there was actually quite well received.

We like to think of it as very much a "made in Canada" solution. We try to pick the best parts of other jurisdictions and piece them together in a way that worked for Ontario. So for example, similar to many of the European jurisdictions, it's a broad and inclusive approach that's based on criteria. Traditional sports, esports, fantasy sports and bet exchanges are all considered eligible for the framework and it's the criteria that will determine whether operators can offer it or not, rather than having a prescriptive approval process which is used in other jurisdictions.

Another major concept that we embedded was independent integrity monitors that help us with the suspicious betting patterns.

Paul Burns: I'm thrilled to see every product getting in to make the market as robust as we can. A lot of your approach to the regulatory oversight and market structure has come from Europe.

There are great attributes open in the market for people looking at establishing North American footprints and establishing operations in Canada, particularly in Ontario, British Columbia and Quebec, where there are existing tax credits for digital development. Some are upwards of 30% of their employee wages coming back.

We have a very robust capital market. The Toronto Stock Exchange, the TSX Venture Exchange, has been used by a lot of companies to access capital markets. And we have a huge pool of skilled labour in the marketplace and lots of companies have footprints. So the licencing is the last piece of the puzzle to make a pitch.

There is also the added benefit that you're paying people in Canadian dollars and maybe selling in US dollars.

One question that might come up is about the grey market. The way that Ontario is approaching this is that they're concerned about what's happening within their jurisdiction and not beyond the borders. The standards often refer to "upholding the laws of Canada". Many people already in the grey market in Canada are upholding the laws of Canada. Nothing's going to change: Ontario is not going to force people out of the marketplace. That's going to be an individual company decision. For a lot of people, it's about seeking your own legal counsel but Ontario is not going to be concerned with what goes on beyond its borders.

Another issue is international liquidity which is something that hasn't been settled yet. When you read any of the documents, and if you've been involved in the process, you'll have seen liquidity is not there. The Canadian Gaming Association has been working closely with the BGC team and we've submitted legal opinions to the Government about why international liquidity is very important. It's what customers have been used to and, going back to some of the first principles the Government of Ontario said they wanted to get in their approach to a regulated market for online gaming, they didn't want to interrupt the customer experience. So we're hoping that they will follow through.

The Criminal Code of Canada is a bit old when it comes to the gaming sections and there's not a lot of case law behind it. So it's been very challenging. There are lots of hard opinions and, as we all know, Government lawyers can be highly risk-averse. We don't think this is very risky in terms of getting international liquidity, it's extremely important for the market.

The rest of Canada is still out there. Private sports betting operators from this state may be invited into the provinces of Alberta and Saskatchewan. That's highly likely at some point in the near future; we're not so sure about the rest of the country. The provincial lottery corporations have launched online sites but we're not sure if the Governments are going to move to invite in any other operators when it comes to sports. The rest of the country is watching with great interest to see what Ontario is doing.

I don't think any other jurisdiction is going to take an open licencing model approach. I think any of the future licencing opportunities will be tethered in the rest of the country and probably most of North America, to be honest. What's being created is quite a unique opportunity.

Audience question: How do you anticipate banking partners will cooperate and develop business opportunities with operators?

Paul Burns: We're having challenges right now with the newness of what's occurring. Canadian banks are not really attuned to what's going on here and not giving potential customers the option to create bank accounts. There is a very robust collection of payment providers in the market, working with many operators in other jurisdictions. Again, they don't need to be licenced in this market.

The AML rules have been clearly articulated in the early documents that have been shared with Government. A lot of the compliance going to fall to the online operator taking the bet. The compliance for AML is a bit cumbersome right now. We're hoping to see some changes in the next year. Like many jurisdictions, the Anti Money Laundering and Counter Finance of Terrorism Act in Canada does not have clear definitions when it comes to things like sports betting, online gaming and the definition of casino hasn't really been evolved enough. So we're working through some of those issues but, at the same time, the iGO group and AGCO have laid down a very clear and concise AML programme. That really becomes the responsibility of the operator versus any payment provider.

Doug Hood: If you look at other things that are going on, one of those has been the legalisation of cannabis. Paul explained about this being an education, that's what we saw happen with the legalisation of cannabis as well: third parties understanding the changes that were being made. I anticipate that will be the case here as different entities become aware of what's actually happening in Ontario, you'll probably see the relationships evolve over time just like they did with cannabis.

Audience question: Is there any discussion about moving from the risk-based model to a harms-based model in Ontario's regulatory practice?

Doug Hood: When we're talking in a regulatory context about risks, the harm component becomes part of that conversation. In terms of changing our approach to focus specifically on harm, our regulatory approach will continue to evolve over time and maybe it will become more focused on that in the future, even with this risk-based approach. So, for example, when we introduced the standards, probably about ten years ago, we introduced a stronger role for the regulator in terms of responsible gambling. That was something that came from the risk conversations that were very much focused on harm.

Paul Burns: The RG standards have been written right into the regulatory standards from tools to support informed play for players, training for staff to specific advertising guidelines. And there will be a universal self-exclusion list that will apply to Ontario – one list for the whole province. The risks of harm have been top of mind as the AGCO prepared the regulatory standards.

Audience question: What have you found the biggest challenge and the best experience when engaging industry through this process?

Doug Hood: I'll start with the best experience. I've sat in a few different roles: I was involved in helping develop the iGaming model in a wider sense, and now I'm focused on sports. What's been really fun on the sport and event betting side is getting to interact with people who are really passionate about sports. It's a different conversation than with traditional igaming products. So discussions around sport integrity and topics that people are really passionate about across the industry. They want to explain things to the regulators in a way that is really genuine.

In terms of the biggest challenge, that perhaps goes back to the question before about the balancing of different perspectives between stakeholders. When you talk to responsible gambling groups, they have very valid points around the harms that can be created and the things that regulator can do to help to mitigate those harms. At the same time, we want to make sure that the industry is succeeding because if we have the greatest protections in the world but nobody is playing on our sites then nobody has those protections.

It's always a challenge, making sure that the interests and viewpoints are balanced in a way so that the framework will actually work and those harms will be mitigated. That's the challenge that exists in all of the different areas that we regulate.

Paul Burns: It has been a great experience to see this finally come to fruition. I can honestly say that, as an industry association, we've been asking for jurisdictions to regulate online gaming since 2006 so it's nice to see it coming to pass. There are exciting times ahead and there's lots of information for companies to consider.

If anyone needs any more information you can reach out to the Canadian Gaming Association at canadiangaming.ca. We're happy to help – we have a wonderful working relationship with our regulator and we're thrilled to be able to work with everybody to make sure that Canada becomes most successful market it can be.

"I don't think any other jurisdiction is going to take an open licencing model approach. I think any of the future licencing opportunities will be tethered in the rest of the country and probably most of North America, to be honest. What's being created is quite a unique opportunity."

Evolution of eGaming

Moderator: Will Hawkley

Global Head of Leisure & Hospitality,

KPMG

Panellists:

Neil Banbury

General Manager, Kindred

James Elliott

Customer Ombudsman Director, Entain

Kane Purdy

Managing Director, Gamesys Operations Ltd

Elicia Bravo

Chief Officer, Lottoland

Always a highlight of the day, the operators' panel discussion had much to reflect on, taking in both the last 10 years of the eSummit programme and the more recent, and often dramatic, 18 months since the last conference. In a wide-ranging conversation covering technology, COVID-19, responsible gambling, ESG strategies and trends for the future, moderator Will Hawkley began the session by asking the panel what they felt was the biggest innovation in the eGaming industry over the past decade:

Elicia Bravo: I've definitely seen a lot of innovation when it comes to KYC apps and making that process easier, faster and better for customers. This goes hand in hand with some of the changes around regulation and the increased scrutiny around KYC processes. The innovation in this space is very interesting as its applicable to many other industries, not just gaming.

Kane Purdy: I remember back around 2007 and 2008, we were all trying to figure out the way to make mobile work. So the last decade has seen the technology catch up with ambition, with the vast majority of our acquisition and play now via mobile, and our products are accessible to a wider audience.

James Elliott: I've got two. First of all, during my NetEnt times I was seeing much more innovation towards what I call causal gaming and recreational entertainment within the sector. You're seeing much more in the way of game show formats now – from Evolution, for example – moving things away from the traditional blackjack or roulette to these new formats. Also new game mechanics within the slots world, things like Must Drop jackpots, expanding reels, and elements like that.

In the player protection world, just to elaborate on what Elicia was saying, Entain has developed a product called Advanced Responsibility and Care using AI to monitor player behaviours. This sees when people start to diverge from a standard behaviour, encouraging them to use our responsible gaming tools, reduce their stakes, and also potentially steer them away from certain products to games that they might find less volatile.

So, it's not so much the gaming itself, it's the Safer Gambling tools that surround the products that we're spending a lot of time and dedicating a lot of our resources to developing.

Neil Banbury: There has been a big dynamic shift on the sports betting side over the last 10 years, with mobile providing increased access and an always-on opportunity. There's been a huge shift from the operator leading the innovation and putting as many betting opportunities in front of the customer in a very structured way to now giving the customer the flexibility to create their own betting experience through bet builders or some of the in-play opportunities that we have now that we didn't have before. We have transitioned from being very supplier-led to being much more customer-driven in the experience we offer.

Kane Purdy: Just on that one, I think it has driven change with our businesses as well. We've got so much more focus on the experience of players and the journeys of players now. Probably 10 or 15 years ago, there were a lot of traditional bookmakers in our businesses then, people that had come out of the shops. But they are different now, more developer led, product led and journey led, so the nature of our businesses has changed as well.

James Elliott: Just to add, particularly in the UK as we move away from the old HVC or VIP programmes, the move is towards an entertainment experience. We're moving towards sustainable models for our players; we're moving towards a lower value, higher volume of customers. And for that we have to build new products, almost bringing in gamification. Looking at the Ladbroke's 5-A-Side product, it's almost a mixture of fantasy sports and betting at the same time. So we're creating products that will blend into that growing market of customer segmentation that we want to build.

Elicia Bravo: Underlying a lot of that is the fact that, every day, we're more and more data driven. We're getting better at knowing how and what to use data for and how to respond to it. That's what's helping with a lot of compliance tools and also helping us decide how to change our business model to something more sustainable.

Will Hawkley: Data has become increasingly important. Let's move on to the "here and now". We've been through the pandemic which has had varying impacts on different industries. Some have been absolutely devastated but I think the gambling industry has had a much better pandemic. It was great to hear from the Minister this morning that not a single operator had taken a single penny of money in furlough in the whole of Gibraltar. Neil, what are your views on what we've learnt as an industry and perhaps some positives from what's been a dreadful time?

Neil Banbury: What we learned was we were probably more agile than anyone would have thought. At the time it was a huge shock with sport disappearing relatively quickly, the picture looked pretty bleak. But things quickly started to get into motion and, when you're looking hard enough for the solutions, you find ways.

For us, as a pure digital business, we realised that the shift to everyone being at home was not as significant as we probably feared it would be at the start. As we moved through 2020, the online part of the industry really experienced quite a strong tailwind in its financial performance. For us, as a business, it's a healthier financial position to be in. That's a positive to look at.

Where we've also been transparent at Kindred is with the percentages of revenue that are coming from harmful customer behaviour. What we observed through the pandemic was that, although the revenues were rising and driven by significant increases in activity, when we were looking at the sustainability of that revenue, it was significantly more sustainable than it had been before and the incidence of harmful behaviour, within the mix, was much lower. So that offers hope and gives us reason to believe in financial viability of a genuinely sustainable industry for the longer term, which is a big positive to take out of the last 18 months.

Kane Purdy: The evidence-led approach is super important here. There are paradigms out there that people were suffering and the financial impact of COVID-19. But we've got data that compares our 2019 database against our 2020 database, and the discretionary income available to those two cohorts has grown and developed. So this idea of additional requirements from the UK Gambling Commission to ask further questions – that there is greater risk out there – is not necessarily backed up in the data that we're getting. We're doing more interactions because we're heading on a journey down that path anyway. The paradigm sometimes needs to be questioned.

Will Hawkley: James, you have a foot in both camps, land-based and online. So you may have had different experiences?

James Elliott: Yes, with retail when you have to shut all your shops, you have to see if your customers are going to convert to digital. That was one big thing for us.

Also, with the amount of reliance on sports betting, when there were no sports we had to come up with other things to bet on, some more inventive than others. The virtual Grand National was an interesting experience. We also had to think carefully about the risk and fraud elements associated with some of these new markets that we weren't necessarily aware of would become a problem later on.

Also trying to help the person who would normally go to the shop deal with the technology of an iPad, downloading an app or making a deposit online. The customer service team wasn't always in the office because some of them were working remotely, some of them in poor conditions. We've got people in other countries such as India and Bulgaria, working from home, sharing houses with their families and working in environments that were very difficult for them.

We adapted and we definitely saw an increase in numbers in our digital customer base. We definitely had to be agile and to respond quickly but I think the results speak for themselves. We did well.

Will Hawkley: I guess the people who normally go into your shops were missing that social interaction. There is a mental health point there in terms of not being able to interact with the person behind the till or in the shop.

James Elliott: For the customers – and also for the employees. On both sides.

Kane Purdy: Another point is that we had the ability to move to remote working pretty quickly. As digital businesses, it was probably a little bit easier but we're starting now to see the challenges with that remote or hybrid way of working. The business as usual stuff is okay but when it comes to significant change and being agile enough to make it rapidly, it's more challenging. Looking at staff engagement, how we engage them with different tools in a different way to make sure that they're buying in to the vision of what we're trying to do. So there are some challenges post-COVID-19 because the expectations of our staff has changed. They expect more flexibility on these things in a super competitive employment environment where we're struggling to fill roles and expectations. We need to be able to do this to hold on to talent. We've got to adapt.

Elicia Bravo: In terms of learnings, the importance of corporate culture was one of the key ones. With people isolated working remotely, it is harder for them to feel connected to the company's vision and part of a team. Having the right corporate culture, vision and mission that people generally buy into –not just paying lip service – was therefore more important than ever throughout the pandemic and now.

We are still in that learning curve, trying to adapt to this new world. The world is going to go back to normal in a lot of respects but I think working from home is one of the things that is definitely going to stay with us from the pandemic. Here in Gibraltar, where we're dealing with cross-border issues on a daily basis, working from home is a harder framework to establish. It's probably easier in inner London where everyone is working from home but from the same city if not country.

In terms of opportunity, we also definitely saw an uptick in our performance. Given our focus on the lottery market, it was particularly interesting as the pandemic accelerated

the lotteries migration into online. Generally, the online penetration for the lottery industry is much lower than the rest of the gambling sector. So COVID-19 has given us the lottery industry, frankly very much needed push, in the right direction. That's great for us, given we're one of the few players within that space.

Will Hawkley: Yes, we've seen that innovation and agility in businesses across all sectors but particularly in gambling. The response to rapid change has been amazing.

James Elliott: One point from me: at the beginning of the pandemic I was working at NetEnt and whilst everyone else was sending most of their staff home, NetEnt, Evolution, Pragmatic and Playtech were having to find a way to keep a certain number of people in the studio for the live product. So they were building boarding houses or creating places for people to stay in a safe bubble environment to make sure that they could keep the film reels going and make sure they had dealers on hand in a germ-free environment. So that was almost the other way around. They had to think about how they could do this. I remember many conversations with people in Malta about how can we do to keep the live studio going.

Will Hawkley: Absolutely. Let's move on to an area that is on a lot of CEO's minds: ESG. Obviously, in this sector, there's a massive focus on safer gambling and responsible gambling. But I'd also like to cover other areas such as climate change, diversity, and inclusion. Elicia, I was really interested in looking at your website and talking to you pre-conference about what Lottoland is doing around your Foundation and also around PARENT. Could you talk us through those initiatives?

Elicia Bravo: PARENT is an initiative we started around two years when we were working with YGAM. The reason it came about is that we realised there is a lot of awareness around gambling addiction and gambling problems already, but only around adults. Yet there are a lot of children who are exposed to gaming, not gambling obviously, and that's the beginning of it. I saw my nieces and nephews playing some free games online the other day and I almost got scared how it's gamified and frankly very similar to adult gambling websites.

Through PARENT what we wanted to do was to empower parents and carers with the right tools and information to educate children around this topic and make sure that they're playing games in the right/safe way. It's important they are aware they are being cross-sold weapons and shields, and what that means. So far we have gotten a really positive response from the schools here in Gibraltar. The teachers found it really useful, the children found it really interesting and were really responsive. So we've now rolled that out further and are continuing to invest in it.

I do think it is really useful and valuable project because it's where it begins, at a young age, where you need to start the education process to make sure that when they do reach 18, they don't go crazy and start gambling everything on the first website that they sign up to.

We've then got the Lottoland Foundation which has focused primarily on the environment and trying to support projects that help the environment. So one we're doing right now, for example, in certain countries is that when our stakes reach a certain amount, we'll be planting trees in Madagascar. That's something we started a few months ago and again has had a really positive response from our customers. We feel it's just one of many things that we can do to try and help the environment which is a project that our shareholders feel very strongly about.

Will Hawkley: I think the PARENT initiative is fantastic. It's now how we get more companies in the sector to be involved in education when sometimes it's seen potentially as a bad thing from the anti-gambling lobby. But educating children about what gambling is, what odds are, can only be a good thing. Maybe we have to use financial services companies to help us do that. But it can't be a bad message to get across to children what responsible gambling is at the right age.

Kane, I was really interested to see Gamesys has signed up to the UN Sustainable Development Goals and there's quite a big section about that on your website. What is the impact of that on the business?

Kane Purdy: We're a FTSE 250 company. The fundamentals are to be a good corporate citizen if we are going to be accepted and not be seen as the bad actor, the dodgy bookmakers. We have to take these steps, we have to go over and above the steps of other organisations to be seen as that good corporate citizen. I've been around for nine years from the private enterprise old days through to 2019 and the PLC world. So ESG has been a bit of a shift for us, having the investor relation guys saying it's absolutely essential that we do these things.

As a group we're now carbon-neutral. I don't think we're on our own out there but carbon neutrality was a key goal for 2020 through the COVID-19 period and early this year. We also talk about our four internal networks, including BAME, Pride and League of Women. We're trying to push that diverse approach. From diversity comes success for us, in diversity of opinion and approach and having people question what we're doing and how we're doing it. We see that as essential to our development. So all of these ESG points are essential these days.

Will Hawkley: James, perhaps you could talk about Entain's Women in Tech Initiative?

James Elliott: Yes, so we are one of the few companies in the FTSE 100 that has a female CEO. Our board is represented 40% by women. Diversity runs through the group, it's part of the culture. There are many more things we can do but we have already started to support Women in Tech driven through Girls Who Code and through TechGirls Movement Foundation to try and attract more women into technology. It's traditionally been an industry that's been a little bit male heavy. Looking around today, it's definitely an improvement on these kind of conferences compared to

"There has been a big dynamic shift on the sports betting side over the last 10 years, with mobile providing increased access and an always-on opportunity."

10 or 15 years ago. But, from our perspective, it's about supporting women in the industry as much as we can.

I did work at NetEnt, which is a Swedish company, and in Sweden, there is a lot of support already built into the laws and social structure to allow women to get back into work after maternity very quickly. Shared paternity, flexible working, and such. These are things that are much easier in Scandinavian countries then potentially down here in Gibraltar or in the UK. I think there's more that we can do. I'm a father of two daughters and the more we can do to develop that the better. But we're definitely going in the right direction.

Will Hawkley: And you've appointed recently a new head of ESG and published an ESG report?

James Elliott: That's correct. We've got the Entain Foundation, which is committed to investing £100 million over the next five years. We've got a campaign called Pitching In, where we support grassroots sport. We're a FTSE 100 company so these are all things that we want to be able to do in order to build and progress our ESG.

Will Hawkley: Neil, you alluded to earlier to Kindred's journey to zero?

Neil Banbury: Yes, we have recently gone public with some data and the science behind that data around the breakdown of revenue by risk category of behaviour. So we look at our behaviour in terms of no risk, low risk, medium through to high risk which is where there's potential harm.

That's something we use internally to help us to prioritise, from a customer interaction perspective, a risk-based approach. We can target the customers whose profile of risk in their behaviour is increasing. We can then measure the effectiveness of the interactions we're having.

We've made all this public. The motivation behind that is not necessarily to try and score a point across the industry, or with a regulator, it's to try and introduce some facts and transparency. That was the key reason why we wanted to also put out the logic behind this as well, so that people can look at it, they can criticise it, they can help us to evolve it and hopefully improve how we work with it.

Generally, for people who are anti-gambling or campaigners, it is such an easy line to throw out that 50 per cent or 60 per cent, whatever it is, of the profits of this industry are derived from problem gambling, which is so far from being true. When we came out and we were public with the fact that four per cent of our revenues are derived from high-risk behaviour and set the roadmap through to get to zero in 2023, it was an opportunity to create a level of transparency but also a way, hopefully, to engage stakeholders from different areas of the debate.

I fundamentally believe everyone wants to get to the same place, it's just there are so many entrenched positions where there's a lot of emotional investment that's hard to give up. But, hopefully, if we can increase transparency, it just provides an easier route to collaborate and get outside expertise in because, for us as an industry, it's also key that we tap into that.

Will Hawkley: So we've talked about diversity inclusion, but how can we attract more people into the industry, attract more diverse talent into the industry?

"Another trend we're starting to see is convergence: gambling, media, esports all coming together. We're starting to see the elephant in the room, with people being pinched from the industry into sports betting."

Elicia Bravo: First and foremost, the gaming industry, at least when I joined it, has never necessarily had the best of reputations. So doing projects like the one Neil just spoke about, where you're sharing data and really informing people about what we do, how we protect our customers and how we care about customers will go a long way in raising the profile of our industry.

We have also come quite a long way with what, as we were saying, has been traditionally a relatively male-dominated sector. That's probably one of the things I should have mentioned that has changed a lot in the past 10 years – and that's something that has changed because we've all consciously pushed for the change. So it's continuing to put energy into that and creating corporate cultures that are open to diversity, not just male and female, but in all senses of the word. Here in Gibraltar, because of the employment market, sometimes it's difficult to recruit perhaps the level of diversity we would like but, hopefully, over time the market will change and will allow that.

Kane Purdy: After the Minister's speech this morning, the most exciting opportunity that I've heard in the last half dozen years, since the Brexit shemozzle, was the arc of prosperity. The reference to an arc stretching from Algeciras to La Alcaidesa and the areas in between. We've found that, particularly with senior talent, to try to get people to relocate over the last couple of years has been challenging. The uncertainty around that has proved exceptionally challenging, but the establishment of that arc of prosperity, a Schengen movement through these things, would open up an incredible opportunity to attract talent down here.

Will Hawkley: Yes, it was interesting to hear the Government feels the relationship with Spain is better than ever, even post-Brexit.

Kane Purdy: Yes, there's that tri-partite agreement there with the UK, Spain and Gibraltar working together on this one. The challenge is with the Commission, I get that, but it's an incredible opportunity.

Will Hawkley: Another trend we're starting to see is convergence: gambling, media, esports all coming together. We're starting to see the elephant in the room, with people being pinched from the industry into sports betting. I know Entain moved into e-sports with the Unikrn acquisition. Some thoughts about convergence: where it will take us, will gambling companies eventually own media companies and vice versa? Where's that future going?

Neil Banbury: It is a very clear trend in the sense that there are plenty of clues out there that this is going to become a big thing. It feels like quite a natural direction for the industry to be taking.

I mentioned earlier about the product being much more about entertainment now and very customer focused. From the economics and the business model perspective of what we do, there are certain dynamics around the cost of acquiring customers, the value of a customer, and increasingly what all operators are seeing is the cost of retaining or maintaining a customer going up and up as the expectations on us from a regulatory point of view increase. So I think it's only natural that gambling operators will be looking outside of pure gambling to find other things that fit neatly within an ecosystem for a customer once we've acquired them.

Obviously it's natural that businesses in other industries would be looking at gambling as a potentially sensible bolt-on to their core business as well. There are definitely some clear signs of that being a big thing for us over the coming years.

Will Hawkley: And James, with your move to esports, it's a big investment, a big future ambition in that area?

James Elliott: Yes, there's always been a bit of convergence. If you look at the way Sky Betting & Gaming was obviously with Sky.

Just to drag it back slightly to what we were talking about before around talent. The Swedish company I worked for, they were losing staff, but not necessarily to other gaming companies. They were losing staff to Spotify, to Trustly, to Klarna, to the big tech companies. In Gibraltar we're quite used to someone leaving a job and wondering where are they going to go, is it to another operator? But that's because we're in Gibraltar.

You could actually get people going from Amazon to eBay and coming into the industry that way. Because at the end the day the product we have is a tech product. So the skills we have, our BI, marketing acquisition, and suchlike, it doesn't really matter what the product is in certain elements of the role. So I think we are diversifying. We've got great skill sets. We've got great ability to develop tech. We've got amazing developers. You've got all the things that go with that. So what else can we do? How do we increase our revenues through other means?

Will Hawkley: And Elicia, you've got esports, you've moved into sports betting?

Elicia Bravo: Yes, we're going into sports betting. As we become a more established player and the market consolidates, it's the logical next step to think how can we improve our value chain and what can we do in-house versus relying on third parties and/or what else can we offer our customers? I think payments companies could be interesting in the gaming space, as well as media companies, and obviously game studios.

Will Hawkley: Neil, you've taken ownership of Relax Gaming now, going from the smallest stakeholding to take over the whole business which gives you that exclusive content.

Neil Banbury: That's reflective of the trend within the industry that there's value in it from a pure B2C perspective, just securing other elements of that value chain. There are obviously huge B2B providers, there's a lot of power and it's incumbent on the B2C operators to look at ways to address strategic challenges like that. It's just a small step, but it's a positive step, for Kindred.

Kane Purdy: I watched Simon French's presentation with interest earlier today because it's almost like he mapped out the template for Bally's: well-funded and well-backed, it's like I'll have a little bit of Monkey Knife Fight on fantasy, I'll have a bit of Bet Works on the sports book platform, I'll have a bit of Gamesys on the wider gaming platform and digital experience. I'll put that together under Bally's then look at the Sinclair sports networks available through the Midwest with ice hockey, basketball and baseball, and I'll look to tie that together in an entertainment package and see what happens. So we're already exploring the templates of what Simon's doing, obviously on a smaller scale than these guys, but you never know what's going to happen down the line.

Will Hawkley: My last question and this could be a one word answer. If there was one market, outside the US, you could enter your business into that you're not in now, what would it be?

Elicia Bravo: There are a lot of interesting opportunities in South America. I'm not going to mention a particular country but there are numerous places in South America where regulation is changing or going to change soon – and which could be very interesting,

Kane Purdy: This is going to be a bizarre answer and I hadn't really thought about it until today: the diversification of risk into land-based for digital businesses. Post COVID-19, the return to the shops becomes a viable option. And, with the certainty around shops and the regulation on those shops, it's almost more certain than what we've got at the moment. The uncertainty we have in the digital space creates challenges for investment. But land-based has some certainty. So bizarrely, I won't go about a marketplace, I'll talk about a different look for the digital space.

James Elliott: My personal view, on the basis that we've put so much effort into regulating in the US and going into all the different US markets, is that Canada is an obvious next step.

Neil Banbury: The reality is that, unless your business is of super-size, then if you have any interest in the US, it's very difficult to have any interest anywhere else and realistically go after that. So it's probably a question for very few people in the industry.

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