



WEEK 9

FRIDAY 28 FEB 2014

THIS WEEK

- Ladbroskes announce gloomy digital profits
- Column: David Adams on mobile payments
- California introduces two poker bills
- Tweets of the week



TOP STORY

NEVADA AND DELAWARE FORM COMPACT

States agree to share online poker liquidity



Left: Nevada governor Brian Sandoval; Right: Delaware governor Jack Markell



Nevada and Delaware have formed an internet poker compact. The Multi-State Internet Gaming Agreement, signed on Tuesday by Governors Brian Sandoval and Jack Markell, will permit players from the states to compete against each other online, while also allowing for the addition of further states in future.

The initial partnership will see Nevada and Delaware pool liquidity, with each state receiving the percentage of the rake from each hand that's attributable to their players. Players would log in through existing licensed sites in their home state and would still be governed by the rules and regulations of that state.

There is no specific date for the compact to go live, although Markell said it was in "everybody's interests to push as quickly as we can", adding that the combining of player pools would make the states' online poker offerings "more diverse, competitive and enjoyable".

What is not currently clear however is precisely which internet poker rooms will be sharing liquidity. Online firm 888 power all three of Delaware's internet poker sites, as branded through the state's land-based casinos, but do not

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currently operate an offering in Nevada. They do however provide the platform, via their All American Poker Network joint venture, for the WSOP.com product in the Silver State. They also power WSOP.com in New Jersey but in addition operate their own 888-branded site on a separate network, an arrangement which is expected to be replicated should they introduce the 888 brand into Nevada.

The agreement has also created a Multi-State Internet Gaming Association, thus establishing a structure through which additional states and games can be added over time. New member states can be voted in if they meet certain requirements and standards. Sandoval confirmed that "conversations" had taken place with New Jersey, the only other US state to currently offer legal online gaming, adding that he would "love" to have the Garden State as a partner.

KEY POINTS

- Nevada and Delaware agree online poker compact.
- States to share player pool and liquidity as soon as possible.
- Deal creates Multi-State Internet Gaming Association with a view to future additions.

UK

LADBROKES DIGITAL PROFITS PLUMMET

Group profits also down

Operators Ladbrokes have endured a major drop in online profit as the firm's struggles continue. Operating profit for the company's digital division in 2013 was £8.2m, a 74.2% drop on the previous year. The firm blamed the decrease on the "process of transition" and "lack of a

competitive customer offer for most of 2013" as they continue their move to the products of providers Playtech.

Operating profit also decreased for UK retail (25.9%) and European retail (22.8%), leading to a 38.9% reduction in group operating profit to £144.2m. Profit after tax was down 64.8% to £67m. However overall group revenues actually increased 3.1% to £1.1bn.

CEO Richard Glynn [pictured below] said the results "reflected the disruption from necessary changes" as the firm continued to build a stronger business, as well as some "market-wide difficulties".

Meanwhile it has been confirmed that Ladbrokes will link executive pay to the success of the company's efforts to prevent problem gambling. Corporate affairs director Ciaran O'Brien told ITV's *Daybreak*: "We want to make sure that responsibility runs through our organisation like a stick of rock, and we're going to make it from the top down."



KEY POINTS

- Ladbrokes online profit falls by 74.2%.
- Executive pay to be linked to problem gambling efforts.



USA

CALIFORNIA POKER BILLS INTRODUCED

Competing legislation would regulate online play

Two bills to legalise online poker in California have been introduced on the day of the session deadline. Both would create 10-year licences in the state but differ over the involvement of California in any wider regulated US landscape.

AB 2291, introduced by assemblyman Reggie Jones-Sawyer, would ensure that California could not join, or would have to opt out of, any future federal online gaming legislation. However SB 1366, sponsored by state senator Lou Correa [pictured above], would allow California to form compacts with other states and/or opt in or out of any federal framework providing state law was not contravened.

KEY POINTS

- Two differing bills to regulate online poker in California have been introduced.

NEWS IN BRIEF

ROUNDUP: UK, IPN, BORGATA

The rest of the week's key stories on *GamblingInsider.com* and the web

- The **UK Gambling Commission** have launched an online application service for operators wanting an online licence.

Tweets of the week

"Results presentation Friday. Special prize for first analyst who asks one question at a time and doesn't say 'I have only 3 Qs for you!'"
William Hill CEO Ralph Topping [[@ToppingRalph](#)]

"NJ will see the DE/NV 'hub' strategy as a challenge to their own; not likely to join anything where they're not the 'big dog' & empowers NV!"
@JoeBrennanJr

"Mobile apps have overtaken PC internet usage in US – in total mobile devices now account for 55% of time spent online!"
Digital media analyst @lanMaude

- **GTech's International Poker Network** is to close, according to reports.
- **Income Access** have partnered with **Borgata** to launch a new affiliate recruitment programme.

GUEST COLUMNIST
“WHAT ARE THE MOST EFFECTIVE MOBILE PAYMENTS SOLUTIONS?”



by David Adams
head of product for a payments firm

“A hot topic at the moment is the possibility for brands to capitalise on digital convergence as a means to increase customer retention, thus enabling quick, convenient and secure payments for their customers. The mobile experience is fast becoming the most important factor in the drive for convenience and retention.

From my experience, many sportsbooks have been asking how they can gain market growth, and there are a number of ways in which this can be achieved. The focus needs to be on driving brand preference and loyalty by providing a consistently good player experience; this is where the mobile channel can prove to be highly influential.

Mobile, as a core channel for sportsbooks, can influence the way in which players interact with their chosen brand. Card schemes have facilitated this process, now recognising mobile as a channel with optimised solutions and services

to enhance the user experience. Traditional and alternative payment methods such as e-wallets need to be optimised for mobile devices to ensure a consistent and seamless interaction. As a result the player will experience a faster and more reliable checkout experience.

In order to achieve player loyalty, it is important to consider familiar and trusted payment methods. Sportsbooks are no longer solely reliant on cash alternatives and voucher-based payment methods. Regulatory drivers are an incentive for sportsbooks to adopt mainstream methods as a result of enforced Know Your Customer (KYC) and data privacy requirements. Traditional payment methods incorporate these challenges and are therefore becoming more suitable for the mobile channel, working to enhance the customer experience while addressing issues of security. Payment methods are now able to incorporate additional authentication solutions such as tokenisation and 3D Secure to enhance the customer experience and convert more mobile traffic.

Gaming vendors should also consider carrier billing. This payment method gives players the ability to charge purchases directly to their mobile phone bill using their mobile number. This helps to increase initial conversions and opens up the market, as anyone with a mobile phone can access these services.

Addressing issues of safety and security are also essential in achieving significant market growth. Mobile can be an easy channel for fraudsters to exploit if sophisticated fraud prevention measures are not in place.

Best practice is to take a multi-layered approach towards fraud prevention. This should include but not be limited to: i) Sophisticated rules, which look at whether purchasing patterns are normal. For example, does the time of day align with when a purchase is likely to be made; ii) Device ID which associates a user with a device; iii) Shared databases, which offer insight into the experiences of other merchants – extremely useful when you consider that fraudsters often operate in gangs and work across industries; and iv) Manual review of high-risk transactions, which enables cross-referencing of third-party databases for a more informed decision to be made.

Finally, an effective fraud management solution needs to incorporate a customised method towards combating fraud. Fraud management rules and technologies utilised in one channel will not be appropriate or effective in another as we see different fraud trends and traits across different channels. A tailored approach needs to leverage the expertise of solution providers that are able to monitor trends across their entire merchant base to create the most appropriate rules and analysis.”

David Adams is head of product at DataCash and has over ten years of experience. This developed from specialising in fraud and risk management services at DataCash online casino company, Proccyber

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WHEN IT COMES TO A BASE FOR YOUR E-GAMING COMPANY – QUALITY COUNTS

Unsurprisingly, the main factors that e-gaming operators look for when considering a jurisdiction in which to base their operations include: a compelling financial proposition, a robust technical environment, a strong reputation, excellent professional support services, and simple and clear regulations.

Other factors that operators would be wise to consider include: a stable, supportive business friendly government, a clear proposition, as well as a quick and simple application process that allows all games to be listed under a single licence with a single licence fee.

The Isle of Man provides all of the above, at no extra cost!

The Isle of Man has a generous grant assistance package for e-gaming businesses which may be applied for and low cost, legal solutions for the protection of player funds are available.

It is also ideally situated to provide companies with the support required to list on the UK main stock market or AIM. In fact the Isle of Man has been confirmed as the preferred jurisdiction destination for AIM 100 companies.

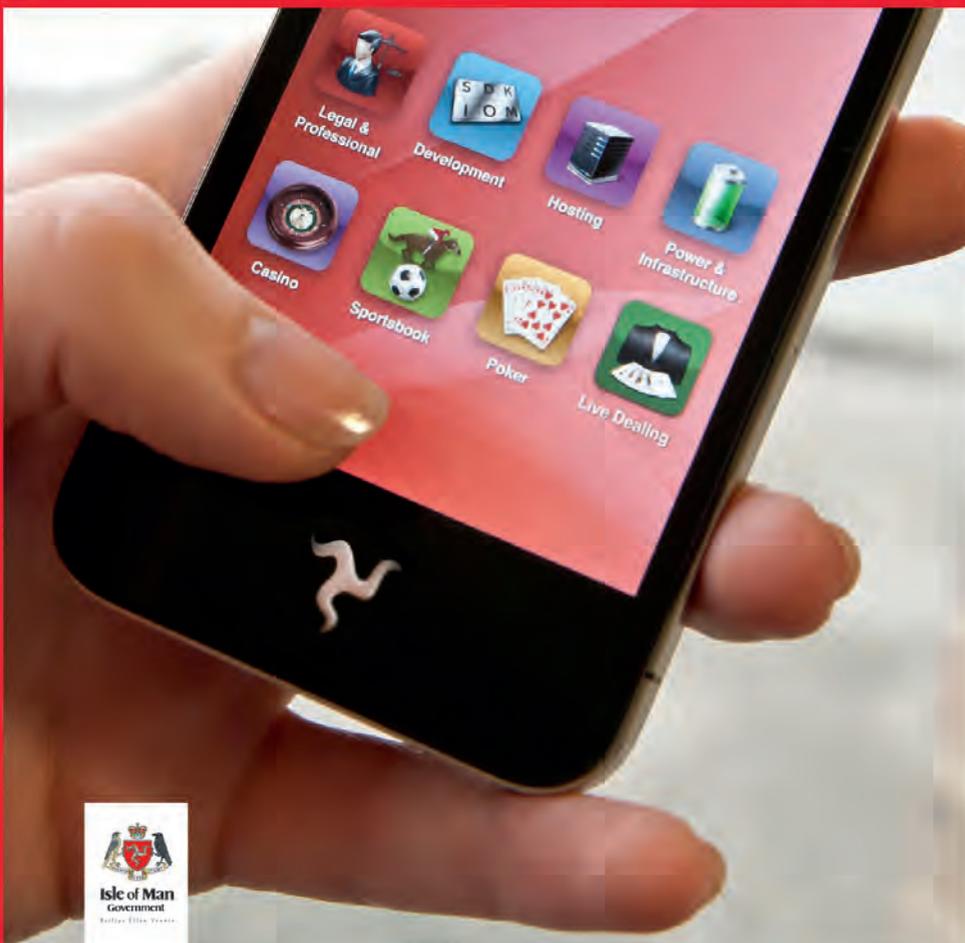
The Isle of Man's ICT infrastructure is world-class with leading-edge fixed and mobile telecoms networks, numerous disaster recovery and hosting facilities, and highly resilient bandwidth connectivity.

The Isle of Man Government provides businesses with a stable environment in which to operate. It has recorded 28 years of continuous economic growth and is recognised by ratings agencies Moody's and Standard & Poor's with AAA and AA+ respectively.

The Island also enjoys a special relationship with the UK, giving access for marketing purposes, and the Island is a member of the World Trade Organisation and white-listed by the OECD.

The Isle of Man has become a recognised hub for e-gaming business that provides all of the support that business needs on the doorstep. It is one of the most dynamic and reputable jurisdictions in the e-gaming industry and is a centre of excellence in e-gaming.

Operators basing themselves on the Isle of Man will be in the company of many of the world's leading gaming brands including PokerStars, Full Tilt, Microgaming, Playtech, Paddy Power, SBObet, 188Bet, 12Bet, Boylesports, Fun88 and many more.



ISLE OF MAN. WHERE YOU CAN FIND A WINNING BASE FOR YOUR E-GAMING BUSINESS

The Isle of Man is home to many of the world's leading gaming brands and software developers, which is no surprise when you consider that the Island offers:

- Government support and commitment to the gaming sector
- 100% player protection
- No hidden costs
- Fast licensing process
- Low duty based on Gross Retained Profit
- Low-cost operating base
- World-class resilient IT infrastructure
- Competitive Tax Package
- Skilled staff

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