



WEEK 14

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THIS WEEK

- Japan casino bill stalls
- 666Bet director arrested
- Columnist: Dina Niron on regulatory costs
- Tweets of the week

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TOP STORY

POKERSTARS SET FOR US LAUNCH

Amaya CEO confirms online operator should enter New Jersey in Q3



Amaya Gaming CEO David Baazov

Provider Amaya Gaming expects to launch its PokerStars brand in New Jersey in the third quarter of 2015, according to CEO David Baazov. PokerStars previously seemed set to enter New Jersey after partnering with Atlantic City casino Resorts Casino Hotel in 2013, but the New Jersey Division of Gaming Enforcement (DGE) decided to hold the application in a suspended status for two years, primarily due to the unresolved 2011 federal indictment against Stars founder Isai Scheinberg for allegedly violating the Unlawful Internet Gambling Enforcement Act (UIGEA) and the Illegal Gambling Business Act, unless circumstances "significantly changed".

Having purchased PokerStars' parent company Rational Group for \$4.9bn last August, Amaya filed a petition with the DGE for a transactional waiver to conduct online gambling operations.

When asked about entering New Jersey during a conference call on Tuesday, Baazov said: "As it relates to New Jersey I would say that we feel that this is coming. We would expect to receive [approval] and launch in the next quarter." Amaya later confirmed to Online Poker Report that Baazov was referring to the third quarter of this year.

CONTINUED ON NEXT PAGE ►

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That was one of a series of announcements this week from Amaya, as its financial results revealed revenues of C\$688.2m for 2014, up from C\$145.9m in 2013. Adjusted EBITDA rose from C\$62.7m to C\$292.7m, while net loss reduced from C\$29.2m to C\$7.5m, although adjusted net earnings reached C\$145m.

Revenue for Q4 2014 increased 897% year-on-year to C\$368.6m. Net loss increased from C\$6.8m to C\$26.7m, although adjusted net earnings were C\$85.7m. Adjusted EBITDA rose from C\$16.7m to C\$154.7m.

Meanwhile, Amaya has agreed to sell its Cadillac Jack subsidiary in an approximate C\$476m deal to AGS, an affiliate of private equity firm Apollo Global Management, with the proceeds used to lower company debt. Cadillac Jack makes slot games and electronic bingo games for casinos.

Amaya also plans to release a daily fantasy sports product, which it will aim to launch in time for the start of the NFL season in September.

KEY POINTS

- PokerStars aims to relaunch in the US in Q3 this year
- Amaya-owned brand “expects” to launch in New Jersey
- Amaya also announces revenue rise, the sale of its Cadillac Jack subsidiary and plans to enter the daily fantasy sports market

ASIA

JAPAN CASINO BILL STALLS

Lack of support leads to delay in the tabling of a bill to legalise casino gambling

The submission of a bill to legalise casino gambling in Japan has been delayed.



Lawmakers had planned to table the bill on Tuesday, but it is yet to receive support from a junior partner in Prime Minister Shinzo Abe’s coalition.

The lawmakers now reportedly hope to submit the bill in April, though no official date has been given as to when it will eventually be submitted.

Takeshi Iwaya, a senior member of the group from Abe’s Liberal Democratic Party, said at a news conference: “I won’t comment on when we can submit the legislation, but we want to proceed promptly, as soon as the groundwork is done.”

A bill to legalise casino gambling was first introduced to the Japanese National Diet in 2013, but lawmakers missed a 30 November deadline to hold a vote on it last year.

KEY POINTS

- A bill to legalise casino gambling in Japan has not been submitted as planned
- Lawmakers now hope to table the bill in April

UK

666BET DIRECTOR ARRESTED

Paul Bell arrested as part of money laundering and fraud investigation

A director of operator 666Bet has been arrested in connection with a £21m money laundering and fraud investigation.

Paul Bell was arrested at Heathrow Airport last week along with six others as part of Operation Bannock. He was later released, before being re-arrested in the Isle of Man the following day. He was then released pending further enquiries.

666Bet head of sportsbook and brand Neil Andrews stated to the Independent on Sunday that the investigation is not connected to 666Bet.

KEY POINT

- Paul Bell, a director of 666Bet, has been arrested in connection with a money laundering and fraud investigation



Tweets of the week

“While I feel for customers of 666BET, it’s the staff I feel sorry [for] though, they only just scaled up dramatically and hired a load of people.” Betfair’s Ryan Murton [@ryan_murton]

“Why is Ladbrokes paying for CCTV security at the house of departing chief Richard Glynn ‘for a certain period’? He didn’t do that bad a job.” The Times chief business commentator Alistair Osborne [@aliosborne20]

“Am told today’s hearing for Nevada sports betting entity bill went well with no opposition.” ESPN gambling writer David Purdum [@DavidPurdum]

GUEST COLUMNIST

"THE COST OF REGULATION"



by **Dina Niron**
Founder and CEO,
Sparks Advisory

"It is crystal clear that the current trend in the gambling industry is regulation, and has been for a while now. More and more jurisdictions are going through some sort of gambling legalisation, as additional steps against illegal gaming operations are taken by an increasing number of regulators. Further restrictions and limitations are introduced and discussed regularly, with new verticals such as fantasy sports facing complete bans.

However preparations for regulations are very time and labour consuming as well as very expensive. As pricey as obtaining a gambling licence can be, there are many other no lesser costs associated, way before the actual submission of the gambling licence application.

In order to be able to obtain any licence, in most jurisdictions, a specific company structure is required. Each jurisdiction has its own set of rules regarding the requirements the company has to comply with. Set up in a specific jurisdiction, minimum capital invested, number of resident board members in that country and separated bank accounts are only some of the basic demands of regulated markets. Prerequisites for submission of a gambling licence application are proof

of good standing for each of the entities operating as well as no criminal record for all parties involved. Costs related to the initial structure may top tens of thousands of euros, and that's before accounting, lawyers etc.

Then, the application for the licence commences. In addition to the administrative, legal and financial work, there is a need for apostille and notarised corporate documents as well as board resolutions and declarations, all translated into the language in which the licence is obtained. Most importantly, of course, is the licence guarantee, which can in some countries reach one million euros and has to be submitted alongside the application. And we have only just begun. Each and every game offered has to be fully certified with a reputable gaming lab and audited on a regular basis. All software as well as each platform, every hosting facility and server farm has to be fully certified as well. Hence the price of an application for a licence in most regulated markets today is estimated at over a hundred and fifty thousand euros.

Obtaining a remote gaming licence in most regulated states today implies full and tight compliance, and responsible gaming including anti-money laundering management, ongoing fraud supervision and detection, under-age protection and, above all, full transparency in front of the regulator. Furthermore, privacy protection laws require sophisticated and expensive hosting and security systems and backup data storage that are certified periodically. Aggregated on a monthly basis, those costs are estimated at over ten thousand euros.

All these payments are indeed very costly but they are a mere glimpse at the real expenses to consider and evaluate prior to entering regulated markets. The most challenging hurdle to cross, and the priciest of all, is the regulatory demand not to operate in non-regulated countries. Operating in markets that have not been legalised means no taxation and no compliance restrictions, enabling operators to offer much higher bonuses to players, therefore achieving higher loyalties, stickiness and thus, usually, much higher revenues. However, every application for a licence in legalised states calls for full information and declarations regarding operations in illegal jurisdictions. Some legislators took an even more aggressive approach and in addition to requiring declarations about size and revenues from .com operations, demanded retroactive payments/fines for operations in their territory prior to legalisation, thereby spiking related expenses to a new level.

Due to the above, discontinuing lucrative, high margin operations in grey – and in some cases, black – markets is a hard strategic decision to make, and one that has to focus on longer-term investments and ROI, rather than short-term income and piles of cash."

Dina Niron, founder and CEO of Sparks Advisory, served as CEO of a Playtech subsidiary, managing the Titanbet.es brand in Spain. She consults companies on investments, gaming-related regulation, online marketing and business strategies. Prior to her role at Playtech, Dina spent over nine years in New York, working on Wall Street

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