



# WEEK 47

## FRIDAY 20 NOV 2015

### THIS WEEK

- New York set for DFS legality hearing
- “Ladbrokes should say no to Coral”
- Australia needs better regulation
- Columnist: Dr Artur Garcez on addiction

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#### TOP STORY

## CHINA BUSTS \$78BN GAMBLING RING

Network contained 500 online casinos serving a million members



China has cracked an alleged illegal online gambling ring which accepted bets totalling 500bn yuan (\$78.4bn). Authorities have arrested 98 suspects linked to the network, which is said to have boasted 500 websites and around a million members.

Local media reports describe the cross-border syndicate as having a complex structure, including overseas divisions. Its main server is said to have been in Taiwan, with Cantonese and Putonghua-speaking staff situated in Hong Kong, Thailand and the Philippines. A Shenzhen-based internet technology company is accused of providing coding and website design.

Police said that of the million or more registered gamblers who had credit with the sites, which targeted mainland Chinese players, more than 120,000 were actively betting at any given time.

The man accused of being behind the ring, identified only by the surname of Xu, was arrested in September. He is said to have rented most of the gambling sites to smaller syndicates for between 30,000 and 50,000 yuan a month.

“From our data analysis, every sign is pointing to a professional team

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**FROM FRONT PAGE ►**

working in the background,” said Peng Zhihong of the Yueyang Public Security Bureau’s internet crime investigation unit.

The Chinese investigation began back in 2014, with a special team formed in March 2015. The first arrests relating to the syndicate occurred in July of this year in cities across Guangdong province. Operation 109 saw 12 locations raided and accounts seized at 14 banks.

Gambling has been illegal on the Chinese mainland since 1949, although certain state lotteries are permitted.

Back in August, Chinese police arrested 125 people in Heilongjiang province in relation to an alleged online gambling ring, seizing more than \$12.9m and freezing bank accounts containing \$37m.

Elsewhere in the country, sports lottery provider 500.com has reported zero revenue, operating loss of \$12.5m and net loss of \$12.7m for the third quarter of 2015. In March 2015 the firm “voluntarily and temporarily” suspended its online lottery sales following allegations of corruption at provincial sports lottery administration centres, with sales yet to resume.

**KEY POINTS**

- China has busted an alleged \$78.4bn illegal online gambling ring
- Network contained a syndicate of 500 websites
- Chinese police have made 98 arrests as part of the investigation

**US  
 NEW YORK SET FOR DFS HEARING  
 Attorney general seeks to shut down the controversial sites**

An emergency hearing on the legal status of daily fantasy sports in New York will take place on 25 November. The development comes after attorney general Eric Schneiderman filed for a temporary injunction against DFS operators



DraftKings and FanDuel, which would shut down the sites’ operations in the state. Schneiderman also last week sent cease-and-desist letters to the fantasy firms declaring that both “constitute illegal gambling under New York law”.

FanDuel and DraftKings were denied temporary restraining orders against any action by Schneiderman, with DraftKings stating that this was because “the AG assured the Court he will take no action against DraftKings or its business partners” before the hearing.

FanDuel has since stopped operating in New York, but DraftKings has continued to do business in the state, declaring itself “confident” in its legal position and adding that it looked forward to its day in court.

Meanwhile New York state senator Michael Ranzano has introduced a bill which would clarify DFS as games of skill under state law.

**US  
 RECORD LOW FOR DELAWARE POKER  
 Vertical struggles despite overall increase**

Delaware recorded its lowest ever online poker revenue last month. The

sites of Harrington Raceway, Dover Downs and Delaware Park collected just \$24,030 for October, a 16% year-on-year decrease. Overall online gaming net proceeds for the month stood at \$182,969, the highest since June 2014 and a year-on-year rise of 40%.

Meanwhile New Jersey online casino win increased 46% year-on-year for October, reaching just short of \$11m. Poker was down 3% to \$1.9m, meaning the state's overall internet gaming win was up 36% to \$12.9m.



Dermot Desmond wants his fellow Ladbrokes shareholders to not approve its recommended merger with Gala Coral.

Desmond, who reportedly owns an approximate 1% share in Ladbrokes, wrote in a letter to Ladbrokes shareholders that the company has been led "down the disastrous path to a deal that is effectively the death of Ladbrokes as an independent company".

The operators announced the plans for the merger in July, and the deal is subject to the approval of existing Ladbrokes shareholders and clearance from the Competition and Markets Authority.

Desmond wrote: "The real winners in this transaction are the Coral shareholders. Make no mistake – this is a zero premium

acquisition of Ladbrokes by Coral. The Coral shareholders receive access to liquidity for their shares and significant relief from a £2.2bn debt burden."

**AUSTRALIA**  
**ONLINE MARKET 'COULD LOSE BILLIONS' TO OFF-SHORE RIVALS**

**Report makes claim ahead of eagerly anticipated review**

An unchanged Australian online wagering market would see the country lose A\$2.2-2.3bn in profits to off-shore operators by 2020, a new study has claimed. The report, commissioned by industry body the Australian Wagering Council and carried out by H2 Gambling Capital, also forecasts the loss of A\$100m a year in tax.

The AWC, whose members include Bet365, Betfair and William Hill Australia, has called for national regulation of the country's betting sector alongside an end to the ban on in-play internet wagering. It outlined its stance in its submission to the federal government's Review of the Impact of Illegal Offshore Wagering. The H2 report formed part of the submission.



**UK**  
**DESMOND: SAY NO TO CORAL**  
**Ladbrokes shareholder asks for the deal to be blocked**



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## GUEST COLUMNIST

## "ONLINE GAMBLING TO GET SAFER"



by **Dr Artur Garcez**  
Reader, City  
University,  
London

A new early warning system that automatically informs gamblers as soon as their behaviour shows signs of turning into an addiction is helping people engage in the pastime responsibly.

The system pinpoints whether a player's gambling patterns are exhibiting signs of risk and starting to match those of previous players who asked online gambling sites to block them, for a fixed period, to stop them becoming hooked on an option known as self-exclusion.

City University London has worked with software analytics company BetBuddy to enhance the accuracy of the computer models underpinning the system according to the very latest understanding of the psychological pathways to gambling addiction.

The research was funded by the UK's innovation agency, Innovate UK, under their Data Exploration programme supported by contributions from the RCUK Digital Economy Theme, Engineering and Physical Sciences Research Council, the Economic and Social Research Council and the Defence Science and Technology Laboratory.

All UK gambling providers are legally obliged to offer customers a self-exclusion option. Our aim has been to help BetBuddy test and refine their system so that it gives providers an effective way of

predicting at an earlier stage self-exclusion as well as other signals or events that indicate harm in gambling. This enables customers to use online gambling platforms more securely and responsibly.

The team found that by harnessing a machine learning method known as random forests and applying it to a real-world online gambling dataset, the system could achieve an impressive 87 per cent accuracy in predicting playing patterns which were likely to evolve in an unhealthy direction.

Professor Philip Nelson, EPSRC's Chief Executive, called the project an example of how artificial intelligence and machine learning methods can be used to address an important social problem. He said he RCUK Digital Economy Theme is a fine example of inter-disciplinary and partnership working for the benefit of society.

Armed with information on gambling patterns, providers can decide not to send players marketing material for a period or they can use the information to alert a player to a potential problem.

Although systems of this kind are already in use, none are believed to have published peer-reviewed research that evidences the same levels of accuracy and reliability as the BetBuddy system. Early detection and prevention of problem gambling is not only in the interest of those who engage in online gambling it can also help deliver a more stable and growing market place for online gambling providers.

Dovetailing with these very promising results, a key aspect of City's work with BetBuddy has been to develop and harness a better understanding of the root causes of problem behaviour in online gambling. First presented in September 2015 at the National Center

for Responsible Gaming conference held in Las Vegas, US, key work in this area has included an analysis of how to achieve a balanced approach that maintains high accuracy but avoids alarming gamblers unduly, and the development of a knowledge extraction method capable of explaining results to gambling operators and gamblers themselves.

Simo Dragicevic, CEO of BetBuddy, said that City University has enabled it to build more robust and accurate prediction models and apply new, creative algorithms to gambling data. By applying their expertise in knowledge extraction techniques to black box prediction models, clinicians, regulators, and industry can better understand how these models can predict behaviour and better protect consumers at risk of harm.

Online gambling is a global growth industry and this year in the EU alone revenues are expected to reach £13 billion. But the problems of addiction that it can bring are well known, contributing to the 593,000 problem gamblers that, according to NHS figures, are present in Britain today.

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